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IV: ACTION PLAN

Introduction

The Commonwealth of Virginia through the Department of Housing and Community Development (DHCD) submitted a Consolidated Plan for Housing and Community Development Programs to the federal Department of Housing and Urban Development (HUD) in 2003 to cover the following five state fiscal years:

Year *One* - July 1, 2003 to June 30, 2004 (federal fiscal year 2003)

Year *Two* - July 1, 2004 to June 30, 2005 (federal fiscal year 2004)

Year *Three* - July 1, 2005 to June 30, 2006 (federal fiscal year 2005)

Year *Four* - July 1, 2006 to June 30, 2007 (federal fiscal year 2006)

Year *Five* - July 1, 2007 to June 30, 2008 (federal fiscal year 2007)

In addition to the Consolidated Plan, the Commonwealth supplies HUD with an annual Action Plan describing how the State will implement its housing and community development programs for each year. This plan combines in a single document information describing the proposed use of HOME, HOPWA and ESG funds and the proposed method for making CDBG funds available for housing and other eligible community and economic development activities. The activities described reflect and complement other DHCD efforts to implement initiatives reflected in its mission. Housing rehabilitation and down payment assistance to first-time home buyers, as described in more detail in the *Virginia Community Development Block Grant Program 2003 Program Design*, are, for example, among the housing activities for which CDBG funds may be used during the fiscal year. Other eligible community and economic development projects, such as the installation or improvement of various types of community facilities, directly and indirectly affect the environment for housing in Virginia's localities. Similarly, the construction and rehabilitation of housing supported by HOME and other formula programs complements efforts to strengthen local economies. This Action Plan incorporates tables originally derived from the Community 2020 planning software except where they have already been incorporated in the Consolidated Plan. As in previous years, the state's administration of the four programs may differ from the methods that entitlement communities use; thus, some features of the Community 2020 software are not entirely relevant. Information from Community 2020 tables that will continue to be submitted to HUD in a compressed digital format pending the introduction of the on-line version of Community 2020 has been presented on substantially similar tables within either this document or the Consolidated Plan.

ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

The Action Plan for Housing and Community Development Programs for State FY 2005 (Federal FY 2004 Funding):

- Details the housing and community development priorities, objectives, and strategies included in the five-year Consolidated Plan adopted and approved in 2003;
- Describes actions the State will take concerning affordable housing;
- Estimates the resources available to the State--including leveraging, matching funds, and reprogrammed monies--for the housing programs and community development activities subject to the Consolidated Plan;
- Outlines the proposed budget for and provides a summary of housing activities the State will undertake, including how the State will assist homeless people and others with special housing needs;
- Describes how the State will distribute available resources for housing and community development;
- Provides information on the programs covered by this Action Plan, including the HOME Investment Partnerships (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with HIV/AIDS (HOPWA), and Community Development Block Grants (CDBG); and
- Provides information on other federal and non-federal programs and funding sources that may be available to the State for addressing housing and community development needs, including the overall legislative and regulatory climate.

A. PRIORITIES FOR HOUSING AND COMMUNITY DEVELOPMENT

Three priorities guide the Virginia Department of Housing and Community Development (DHCD) in its use of available housing resources in meeting the need for affordable housing, ending homelessness, and providing for persons with special housing needs. Five related community development objectives establish the priorities for assistance from the CDBG program offered to eligible localities seeking to improve housing, bolster local economies, and develop a variety of community facilities and service facilities. These priorities and objectives were initially established through the process used to develop the current Consolidated Plan, a process that included the extensive use of focus group meetings to elicit public recommendations concerning housing priorities.

DHCD focused on elements of the CDBG program at two Program Design / Consolidated Plan Input Workshops in the fall of 2003. The first took place in, on October 28 and November 3, 2003. Following these workshops, DHCD prepared the

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final CDBG program design, conducting a public hearing on November 21, 2003. Additional public comment was received through November 28, 2003.

The new program design revised numerous provisions and policies from the previous year's program. The state reserved \$2 million for use by localities to address disaster-related housing damage. This fund will be limited to addressing sole, year-round residences that were substantially damaged as a result of a natural disaster. In addition, \$700,000 was set aside for eligible localities that have been designated in the Commonwealth's lead-based paint demonstration grant. The Construction Ready Water and Sewer Fund reserves \$1 million for construction projects providing new water and/or sewer service for communities whose proposed project area is made up of at least 65% LMI households. All other funding must be in place, all design work must be complete, including final design approvals and bid package and project must be ready to go in all other respects. The Entrepreneurship Development category was reclassified as a Local Innovation Program. The Community Economic Development Fund was revised to include job retention (not solely job creation) as an eligible activity in projects where the locality can document substantial, imminent job loss and business downsizing or closing that could be forestalled with CDBG assistance. DHCD made several changes in policies related to job creation and private investment for projects funded both through the Community Economic Development Fund and Economic Development projects in the Spring competitive round for Community Improvement Grants. Job creation must occur within 2 years of the date of the completion of the private investment. Additionally, the documentation of job creation, including jobs to LMI persons, may not conclude until the completion of the CDBG-funded construction activity or the achievement of the total job creation and 51% LMI benefit, as agreed to in the executed Industry Agreement, whichever is later. Similarly, private investment must occur within 2 years of the commencement date of the CDBG contract between DHCD and the locality. The Urgent Need/Imminent Threat category will become a separate \$2 million fund for 2004. The Department met will use a phased approach or Business District Revitalization planning and construction grants. Finally, updated poverty, unemployment, and income data shifted communities among the various eligibility categories for Community Economic Improvement Fund Grants.

The Housing Needs Assessment that DHCD and its major housing partner within the state government, the Virginia Housing Development Authority (VHDA), completed in late 2001, remains a primary source guiding the Virginia's response to meeting identified goals for housing. Prominent issues included relating to home ownership, including opportunities for first-time homebuyers and the need to rehabilitate substandard owner-occupied units with or without the provision of indoor plumbing, received considerable attention. Housing affordability in general and the needs of individuals with various disabilities were consistently identified as significant issues.

During the fall of 2003, DHCD conducted a series of focus group sessions addressing issues related to the Emergency Shelter Grant and/or HOME programs.

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These took place in Abingdon on October 28, Richmond on November 3, at the Northern Virginia Planning District Commission offices in Fairfax on December 1, and at the Hampton Roads Planning District Commission offices on December 2. Participants received information about the possible design of the programs for the upcoming year and had an opportunity to recommend approaches to addressing Virginia's most critical housing needs. In addition, DHCD presented, for comment, the agency's use of the HOME-ESG programs to support the Commonwealth's comprehensive Action Plan on Ending Chronic Homelessness to the Greater Virginia Peninsula Continuum of Care Council, the Northern VA Coalition for the Homeless, the Virginia Mental Health Planning Council, and the Virginia Interagency Action Council on Homelessness during February 2004. The Department complemented its public participation opportunities through open comment periods through the agency's web site so that individuals not attending the focus groups or public hearings could provide similar information.

The Board of Housing and Community Development received copies of the action plans for housing programs at its March 2004 meeting in Richmond. DHCD published display advertisements in five regional newspapers of general circulation the availability of the components of proposed plan for public comment. The Department also provides copies of draft plans to all 21 planning district commissions. The Department placed its draft plans on its web site in PDF format and provided additional copies to individuals requesting them. The Department conducted a public hearing on the HOME and ADDI components on April 1, 2004, and received additional comments through April 30, 2003. A follow-up hearing on the HOPWA and ESG components occurred on April 26, 2004, with comments being accepted through mid-May. A summary of oral and written comments on the Plan and the Department's response, including any subsequent changes to the Plan, will be included in a subsequent Attachment.

In addition to providing a further source of financial and technical support for housing, DHCD's community development activities, stated in five objectives of the CDBG program, complement its housing efforts by improving the economic, physical, and institutional underpinnings of the Virginia's nonentitlement communities. For their part, housing activities in CDBG eligible communities can increase the comprehensive character of community improvement efforts. DHCD and its partners have placed increasing emphasis on the importance of considering housing within the broader context of promoting better communities.

The following section details the priorities and strategies that will govern the use of state resources for housing and community development during the state' FY 2005.

Housing Program Priorities (HOME, HOPWA, ESG, CDBG Housing Activities)

HOME Funding will target the following program areas: Eligible CHDO activities, Single Family Regional Loan Fund (SFRLF), Affordable Housing Preservation Program

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(AHPP), Indoor Plumbing Rehabilitation Program (IPR), Supportive Housing Program, and SHARE Expansion Transitional Housing Program. The set-aside for Supportive Housing will be distributed statewide to applicants that receive a HUD Supportive Housing grant. The Affordable Housing Production/Preservation component, which incorporates the CHDO set-aside, will employ an open submission application process. The Single-Family Regional Loan Fund establishes regional allocations in which an open submission application process will be used.

The Commonwealth of Virginia has adopted Goals, Objectives, and Strategies to guide its investment of HOME funds in relation to creating affordable housing. The objectives are listed in order of priority.

The following three broad priorities govern the use of the State's housing funds, addressing the affordable housing and homeless needs, including those for persons with disabilities as well as other special needs, identified in the Consolidated Plan:

- Increasing the availability and affordability of safe, decent, and accessible housing to low and very low-income persons;
- Increasing the ability of communities to implement creative responses to community-based needs; and
- Supporting policy development and research related to significant economic development, community development, and housing issues.

PRIORITY: Increase the availability and affordability of safe, decent, and accessible housing to low and very low-income persons.

Objective: Support homeownership opportunities to a minimum of 400 low and very low-income persons annually.

Strategy: Increase affordability of home ownership through down payment and closing cost assistance through the Single Family Loan Fund Program.

Strategy: Work with VHDA to determine feasibility of use of Section 8 vouchers as a means of providing home ownership for low-income individuals in one rural community and for disabled in two urban communities.

Strategy: Provide predevelopment and operating funds to CHDO's to increase capacity and unit production.

Strategy: Increase capacity of non-profit developers to produce affordable home ownership opportunities through on-site technical assistance and training through the Office of Community Capacity Building in cooperation with VHDA

Objective: Increase the availability of affordable rental units by a minimum of 200.

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Strategy: Allocate over \$4.5 of HOME funds through the Affordable Housing Preservation and Production program to support production, preservation and predevelopment of at least 4 multi-family developments.

Strategy: Provide planning and other technical assistance for very low and special needs housing development, as well as, general technical assistance on the development process and accessing resources.

Objective: Address sub-standard living conditions, health, accessibility, and safety deficiencies for 1,500 low-income, disabled, elderly and special needs households.

Strategy: Determine feasibility of rehab fund to address the accessibility needs of the elderly and disabled.

Strategy: Provide rehabilitation assistance for repair needs for properties identified through the Lead Hazard Control grant.

Strategy: Allocate \$5 million to the Indoor Plumbing and Rehabilitation program through the Community Development Block Grant program.

Strategy: Implement pilot program to address the rehabilitation and energy efficiency of transitional housing projects and assess impact on operational costs.

Strategy: Use HOME Match and Supportive and Transitional Housing programs to support the development of transitional and permanent supportive housing options for homeless, disabled and others.

PRIORITY: Increase the ability of communities to implement creative responses to community-based needs.

Objective: Support the development of regional approaches and best practices for addressing the affordable housing needs in Virginia.

Strategy: Facilitate the development of three regional plans for addressing the housing needs of homeless and other low-income special needs populations in at least three communities.

Strategy: Support the Housing Virginia Campaign and its efforts to educate the public about the importance of affordable housing in communities throughout Virginia.

Strategy: Highlight successful approaches to meeting the challenge of affordable housing at the Governor's Housing Conference.

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Strategy: Partner with the Virginia Housing Development Authority's Housing Initiative Team to target underserved communities through training and technical assistance.

Strategy: Develop program guidelines and implement new Commonwealth Priority Fund to best address unmet housing needs in collaboration with community-based housing organizations.

PRIORITY: Support policy development and research related to significant economic development, community development, and housing issues.

Strategy: Review the reports of the Virginia Disability Commission and the Olmstead Study Commission and consider recommendations in the development of the FY2004 Action Plan.

Strategy: Working with the Virginia Interagency Council on Homelessness and through the federal-sponsored Policy Academy develop Virginia's plan to address the housing needs of the homelessness.

CDBG Housing Priority

PRIORITY: TO ASSIST LOCAL GOVERNMENTS IN CONSERVING AND IMPROVING HOUSING CONDITIONS.

Provide financial and technical support for housing rehabilitation to result in reducing substandard housing conditions, conserving local housing stocks, stabilizing declining neighborhoods, promoting homeownership options, improving standards of living, and enhancing the attractiveness of the community.

Provide financial and technical support for acquisition and improvement of sites and/or facilities for low- and moderate-income housing to result in reducing the number of Virginia citizens in substandard housing, increasing the supply of housing, improving local standards of living, expanding housing opportunities, improving the quality of public facilities serving low- and moderate-income housing, and providing or improving basic public facilities serving low- and moderate-income housing.

Other Community Development Priorities Receiving CDBG Assistance

PRIORITY: TO ASSIST LOCAL GOVERNMENTS IN IMPROVING NEIGHBORHOODS AND OTHER AREAS THROUGH COMPREHENSIVE COMMUNITY DEVELOPMENT PROGRAMS.

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Provide financial and technical support for the comprehensive improvement of residential areas to result in revitalized neighborhoods including improved housing, water, sewer, road, and drainage conditions.

PRIORITY: TO ASSIST LOCAL GOVERNMENTS IN INCREASING BUSINESS AND EMPLOYMENT OPPORTUNITIES THROUGH ECONOMIC DEVELOPMENT PROGRAMS.

Provide financial and technical support for the acquisition, development, rehabilitation, or expansion of business and industrial sites and facilities to result in raising wage levels, retaining existing jobs, generating new jobs and employment opportunities, generating long-term employment, diversifying and expanding local tax bases and economies, and reducing the out-commuting of workers and out-migration of residents.

Provide financial and technical support for the acquisition, development, and revitalization of commercial districts to result in increasing retail sales and property values in stagnating or declining commercial districts, retaining existing businesses, increasing the opportunities for small businesses in commercial districts, retaining existing jobs, and strengthening local tax bases.

Provide financial and technical support for the development of entrepreneurial assistance programs including microenterprise assistance, business incubators, and similar efforts to result in creating assets among low-income persons, increasing employment opportunities, reducing unemployment, increasing wage levels, generating new jobs, generating long-term employment, and diversifying and expanding local tax bases.

PRIORITY: TO ASSIST LOCAL GOVERNMENTS IN CONSERVING AND IMPROVING HOUSING CONDITIONS.

Provide financial and technical support for housing rehabilitation to result in reducing substandard housing conditions, conserving local housing stocks, stabilizing declining neighborhoods, promoting homeownership options, improving standards of living, and enhancing the attractiveness of the community.

Provide financial and technical support for acquisition and improvement of sites and/or facilities for low- and moderate-income housing to result in reducing the number of Virginia citizens in substandard housing, increasing the supply of housing, improving local standards of living, expanding housing opportunities, improving the quality of public facilities serving low- and

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moderate-income housing, and providing or improving basic public facilities serving low- and moderate-income housing.

PRIORITY: TO ASSIST LOCAL GOVERNMENTS IN IMPROVING THE AVAILABILITY AND ADEQUACY OF COMMUNITY FACILITIES.

Provide financial and technical support for acquisition of sites or rights-of-way for community facilities such as water, sewer, drainage, and streets to result in providing basic facilities in areas where they are lacking.

Provide financial and technical support for the installation, rehabilitation, or improvement of community facilities such as water, sewer, drainage, and streets to result in providing basic facilities in areas where they are lacking, improving the quality of inadequate community facilities, enhancing the development potential of communities, and eliminating conditions detrimental to health, safety, and public welfare.

PRIORITY: TO ASSIST LOCAL GOVERNMENTS IN IMPROVING THE AVAILABILITY AND ADEQUACY OF COMMUNITY SERVICE FACILITIES.

Provide financial and technical support for the acquisition of sites and/or structures for community services facilities to result in providing new or expanded community services.

Provide financial and technical support for the construction, rehabilitation, or improvement of community service facilities to result in developing new structures, or rehabilitating or improving existing structures for the provision of new or expanded community services.

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B. RESOURCES

The State expects to receive the following *estimated* federal and state resources to be available for housing and community development activities in the state's FY 2005. In addition, the State intends to use program income and accumulated principal repayments on Virginia Housing Partnership Fund loans as noted.

Estimated Resources

Resources	Federal	State	Estimated Program Income	Prior Year Funds
HOME plus '03 & '04 ADDI	\$17,603,748	0	\$200,000	\$9,241,993
Emergency Shelter Grant	\$1,447,811	0	0	\$161,820
Child Service Coordinator	0	\$360,000	0	0
Child Care for Homeless Children Grant	\$300,000	0	0	0
Housing Opportunities for Persons with AIDS	\$640,000	0	0	\$715,496
TANF Homeless Families Program Support	\$4,910,128	0	0	0
Weatherization [DOE]	\$4,031,741	0	0	0
Low Income Home Energy Assistance Program	\$5,761,981	0	0	0
Lead-Based Paint Grant ¹	\$2,160,00	0	0	0
Supportive Housing ²	\$0	0	0	0
Commonwealth Priority Housing Fund ³	0	\$19,000,000	0	0
General Funds for Housing Programs ⁴	0	\$9,495,120	0	0
Derelict & Abandoned Housing Program	0	0	0	0
Community Development Block Grant ⁵	\$22,739,900	0	\$380,614	\$3,050,000
Appalachian Regional Commission	\$3,200,000	0	0	0
<i>Federal</i> Low-Income Housing Tax Credits ⁶	\$14,498,167	0	0	0
<i>State</i> Low-Income Housing Tax Credits	0	\$500,000	0	0
TOTAL	\$75,135,636	\$29,355,120	\$580,614	\$13,169,309

NOTES: ¹ DHCD received a HUD Round 10 Lead-Based Paint Hazard Control Grant that began February 2003 and extends for 30 months during which the funds will be expended.

²This includes Permanent Housing for Handicapped Homeless and Supportive Housing.

³ This funding source results from the sale of the assets of the Virginia Housing Partnerships Fund (VHPF) as mandated by the 2003 session of the Virginia General Assembly. Funds are available for four categories: 1) gap financing for hard-to-develop affordable housing projects,

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2) grants or deferred loans for very challenging projects meeting specific housing and community development policy objectives (such as housing for persons with disabilities, seniors, and assisted living facilities), 3) capacity assistance, and 4) assisting in the creation of a leveraged pool for the Virginia Foundation for Housing Preservation.

⁴ The state's appropriations act for FY 2005-06 had not been signed into law at the time this table was prepared. The amounts are those included in the bill that passed the General Assembly on May 7, 2004. They include \$2,115,120 for shelter support and special needs housing, \$4.5 million for homeless prevention, and \$2.88 million for indoor plumbing from the state's general fund. In addition, \$100,000 is set aside from the state's tax check off for housing to assist with shelter and special needs housing.

⁵ This includes \$600,000 from 2003 Letters of Intent to Fund in 2003; \$15.8 million for a variety of Community Improvement Grants; \$500,000 for Planning Grants; \$2,442,814 in 2002 multi-year housing projects, \$2 million for disaster recovery, and \$700,000 for a lead paint demonstration project with the balance being used for state administration and technical assistance. \$3,050,000 in prior year returned funds from cancelled projects were also estimated to be available for projects. There is no prior year program income available.

⁶ The approximate amount of new federal LIHTC expected to be available for qualifying housing sponsors after December 2003. The Virginia Housing Development Authority allocates these credits.

Match Requirements

HOME Investment Partnerships (HOME) Program

The State will satisfy the requirement that it match all HOME funds with non-federal funds at a 25 percent level in the following manner:

- A portion of the match will be derived from the present value of interest reductions of below-market-rate loans where the project also receives HOME assistance.
- The balance of the annual match liability is derived from State general revenue funds that are contributed to housing projects assisted with HOME funds and those that meet the HOME affordability requirements.
- Twenty-five percent (25%) of the State's annual match liability can be derived from the face value of State mortgage revenue bond loans, both multi-family and single family loans.

Community Development Block Grants

Projects funded via the CDBG Program do not have per se matching requirements; however, potential grantees can enhance their competitiveness by incorporating local resources in proposals for community improvement grants. Similarly, the degree of commitment as evidenced by private funds included in applications for certain economic development projects can affect their

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competitiveness. Thus, historically, the majority of successful applications include some degree of local participation--by the local government, private entities, or both.

Emergency Shelter Grant (ESG) Program

Federal regulations require a one-to-one match for ESG expenditures. The Department requires that all subrecipients of ESG funds provide the necessary match and submit a budget indicating the amount and source of match before the disbursement of funds. Eligible sources of match include recipient cash, volunteer hours valued at \$5/hour, and in-kind contributions. Each ESG subrecipient is monitored regularly following departmental procedures, to ensure compliance with all federal requirements, including match expenditures.

Housing Opportunities for Persons with HIV/AIDS (HOPWA) Program

Matching funds are not required for the HOPWA Program

Leveraging Private Resources

Leveraging other resources, including those from the private sector, is an important part of the State's housing and community development activities particularly in the use of the Virginia Housing Development Authority's Virginia Housing Fund and HOME funds. The State's homeownership program provides down payment and closing cost assistance that leverages private mortgage financing.

The State's loan programs for the development and preservation of affordable housing will primarily target predevelopment expenses and permanent financing. However, because of the highly competitive nature of the funding, leverage has historically exceeded the minimum by a significant margin. The State anticipates public and private leverage for these activities would exceed \$25 million, allowing increased development in hard to develop areas. This includes initiatives through VHDA's Housing Initiatives Team, and funding resulting from the liquidation of the Virginia Housing Partnership Loan Fund portfolio in accordance with requirements of the 2003 appropriations act.

In evaluating CDBG applications, DHCD considers the degree of commitment to a project as evidenced through the pledge of either local (for community facilities and housing) or private (for economic development) resources. Historically, the actual amount of leveraged funds has varied considerably from project to project, with economic development open submissions showing high private/public dollar ratios and other types of projects showing a more modest degree of leveraging of other public or private resources. The 2003 funding round leveraged approximately \$55.2 million including local, other state, other federal, and private resources.

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C. PROPOSED USES

HOME Program

Program	Amount	Program Income	Unused Prior Years Funding to be Committed	Maximum/ Minimum	Dates	Recaptured or Unused Funds	2004 Goal
CHDO-Operating Assistance	\$400,000	N/A	N/A	Up to \$50,000 or 50% of CHDO operating Budget, whichever is greater	Open: 7/1/04 until all funds are committed	Evaluate in April 2005. Unused funds will be reallocated to another HOME-eligible activity.	N/A
Affordable Housing Preservation & Production	\$4,500,000 (\$2,405,357 is restricted for CHDOs) with up to \$240,536 available for predevelopment activities.	Program income returned to DHCD will be reallocated to HOME-eligible activities	\$4,500,000	Up to \$500,000 per project based on HUD program guidelines	Open: 7/1/04 until all funds are committed	Evaluated in April 2005. Decision to either to carry into FFY2004 or reallocate to another HOME-eligible activity.	200 units produced or rehabbed for homeownership or rental by targeted population
Indoor Plumbing Program	\$5,000,000	Program income will be revolved at the local level and will be reallocated to HOME-eligible activities	\$2,241,000	Allocation formula based on population, per capita income, households lacking plumbing and overcrowding	Open: 7/1/04	Funds not used by January 1 revert to incentive pool and made available to other sub-recipients	300 housing units provided with rehabilitation and indoor plumbing
Single Family Regional Loan Fund plus ADDI ('04 & '03) Program Income	\$2,432,146 \$1,568,030 \$ 200,000	Program income will be revolved at the local level and will be reallocated to HOME-eligible activities	\$2,000,993	Allocation formula based on prior use and market conditions	Open: 7/1/04	Evaluated in April 2005. Decision to either to carry into FFY2005 or reallocate to another HOME-eligible activity.	400 new income-eligible homeowners

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HOME Program (cont.)

Program	Amount	Program Income	Unused Prior Years Funding to be Committed	Maximum/ Minimum	Dates	Recaptured or Unused Funds	2004 Goal
HOME Match for Supportive Housing	\$800,000	N/A		Up to \$200,000 per project. Non-competitive	Open: Available at time of HUD commitments anticipated in April 2005	Funds will be redistributed to another HOME-grantee awarded supportive housing grants if not requested within 12 months of commitment.	<ul style="list-style-type: none"> 15 beds of permanent housing for persons with disabilities 15 beds of transitional housing
SHARE Expansion/ Transitional Housing	\$800,000	N/A		Up to \$200,000 per project Non-competitive	Open As received	Funds will be redistributed to another HOME-grantee awarded supportive housing grants if not requested within 12 months of commitment.	TBD
Tenant Based Rental Assistance Pilot	\$500,000	N/A	\$500,000		Open: 7/10/04 Close: 6/30/05	Unused funds will be reallocated to another HOME-eligible activity by April 30, 2005	TBD
Administration	\$ 1,603,572						
Total 2004 HOME	\$16,035,718						
American Dream Downpayment Initiative (ADDI)	\$ 768,133 ('03) \$ 799,897 ('04)	N/A	N/A	Up to \$10,000 per loan	Open: 7/1/2004	TBD	TBD
Anticipated Program Income		\$ 200,000	N/A				
Total	\$17,603,748	\$ 200,000	\$9,241,993				

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Emergency Shelter Grant Program

Program	Amount	Funds Carried Over from Previous Years	Maximum/ Minimum	Dates	Recaptured or Unused Funds	2004 Goal Updated June 25, 2004
Shelter Operations	\$1,375,420	\$161,820	Allocated per bed Non-Competitive	Application Available: 03/12/04 Application Due: 4/30/04 Award: 6/15/2004	Funds not used during grant year will be carried over to next year's funding or reallocated to current recipients for operations or special projects.	<ul style="list-style-type: none"> Fund 77 sub-recipients and a minimum of 2,500 beds A minimum of 30% of the homeless households served in emergency shelters in fiscal year 2004 will move into transitional or permanent housing. A minimum of 75% of the households who are housed in a transitional housing program in fiscal year 2004 will move to permanent housing. Move 5,000 homeless individuals and families into permanent housing each year of the biennium.
Administration	\$ 72,390	NA	5% of total grant			
Total Grant	\$1,447,811	\$161, 820				

Total funds to be committed for 2004 are \$1,609,631
No Program Income is generated on FSG funds.

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HOPWA Program

Program	Amount	2003 Funds Carried Forward	2002 Funds Carried Forward	Maximum/Minimum	Dates	Recaptured or Unused Funds	2004 Goal	2004 Actual
Operations and Supportive Ser	\$ 576,000	\$581,400	\$69,496	HUD formula Non-competitive	Application: 5/14/04 Award: 7/15/04	N/A		
Administration				10% of total grant				
Admin allocated to sub-recipients	\$ 44,800	\$45,220	\$0	7% of award				
DHCD	\$ 19,200	\$19,380	\$0	3% of award				
Total	\$ 640,000	\$646,000	\$69,496					

ANTICIPATED USE OF FUNDING IN STATE FY 2005 (2004 HUD Grant Year)

In 2004, Virginia's Home Investment Partnership funding will be allocated to the following principal categories of usage: State Administration, Down Payment and Closing Cost Assistance for Home Ownership, Multifamily Rental and Home Ownership Development (including the mandatory 15% CHDO set-aside), Indoor Plumbing and Rehabilitation Loans, Shelter Expansion/Transitional Housing Grants, HOME Match for Supportive Housing, a Tenant Based Rental Assistance Pilot Project, and CHDO Operating Support.

A minimum of 15% or \$2,391,900 of the State's HOME allocation award is allocated to the Affordable Housing Production and Preservation Program (AHPP) and will be restricted for use by State Certified CHDOs as required by HUD's HOME Regulation. Up to 10% or \$239,190 of the mandatory 15% CHDO set-aside will be provided for eligible CHDO Predevelopment activities if requested by State Certified CHDOs. All CHDOs seeking predevelopment funding must provide evidence through the State's AHPP application process that it is ready to pursue a viable multifamily rental or single-family homeownership development. All or a portion of the remaining amount in this category may be made available to non-CHDO entities if qualified affordable housing proposals are received by DHCD.

Total 2004 funds available include program income, reprogrammed, and unused funds from prior funding years. DHCD allocates HOME Program funding to programs when it is received. State administrative costs are excluded for housing programs. Any *unused* HOME administration funds are reprogrammed to support program activities in accordance with the Plan and the State's Public Participation Guidelines.

DISTRIBUTION METHODOLOGY

Although there are no formal plans for geographic distribution of most of the housing resources identified in this Plan, specific housing programs have measures to provide a fair distribution of available resources as follows:

Projects in cities and counties not designated as HOME entitlements receive first priority; projects in HOME entitlement cities and counties receive second priority.

Although no high priority geographic areas have been designated specifically to direct the distribution of Affordable Housing Production and Preservation resources, DHCD works diligently to focus its AHPP assets on underserved regions of the state, primarily rural areas (non-metropolitan communities) and those urban areas such as Northern Virginia where housing affordability is bleak. The existing network of twenty-four (24) CHDO's is well distributed across the state.

The Indoor Plumbing/Rehabilitation Program only funds projects in CDBG non-entitlement jurisdictions. The IPR Program is limited to 111 eligible cities and counties. The program now has 43 sub-recipients serving eligible localities. Subrecipients include local governments, housing authorities, planning district commissions and a wide-range of non-profit organizations covering multiple jurisdictions to very small organizations with limited capacity. This network allows programs to reach into most parts of the state. In order to help serve areas of the state that are not served or are under-served by IPR sub-recipients, DHCD now allows sub-recipients to “roam to serve units that are completely lacking indoor bathroom outside of the jurisdictions they are contracted to serve.”

The Single Family Regional Loan Fund’s (SFRLF) distribution process begins with the annual approval of the State contribution to the SFRLF. The SFRLF operates through local partnerships with governmental entities, non-profit housing service providers, and mortgage lenders across the Commonwealth. Presently, 18 regional administrators offer intake services, housing counseling, and pre-qualification screening for eligibility on a first-come, first-serve basis statewide. The program structure promotes equitable access to the Fund by all entitlement and non-entitlement communities based on applied income and credit criteria.

Under the HOME Match for the Supportive Housing Program, funding priority is given to Supportive Housing Program grantees located outside HOME entitlement jurisdictions and consortiums. If requests are significantly greater than the available funds, projects are evaluated through a competitive process. The priority ranking of the project in the local or regional Continuum of Care is considered.

Transitional housing projects receiving awards of HOME funds through the SHARE Expansion Program for acquisition, new construction and rehabilitation will be restricted to areas where there is no HUD-approved funded Continuum of Care.

STATE RESPONSIBILITIES

The State is required to adopt a citizen participation plan that sets forth the State's policies and procedures for citizen participation in the development of the State's Consolidated Plan, any substantial amendments to the plan, and the annual performance report. Before adoption of the citizen participation plan, the State must make its Annual Plan available to the public by notifying each unit of local government and Planning District Commissions, and through the Department's mailing list of citizens, organizations, and service providers. The State gave such notification on March 15, 2004 and provided a minimum of thirty days (30) for comment.

It is the intent of the citizen participation plan to provide for and encourage citizen participation in the development of the Consolidated Plan, any substantial amendments to the plan, and performance reports. Especially encouraged to

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participate are low-and moderate-income (LMI) persons, particularly those having in slum and blighted areas and by residents of LMI neighborhoods, including minorities and non-English speaking persons, as well as persons with disabilities.

The Commonwealth proposes to publish the proposed Annual 2004 Action Plan in a manner that affords citizens, units of general local governments, public agencies and other interested parties a reasonable opportunity to examine its contents and to submit comments. The proposed Plan will include the amount of assistance the Commonwealth expects to receive and the range of activities that may be undertaken under various programs included in the Consolidated Plan and annual Action Plan, including the projected amount that will benefit persons of low and moderate income and the plans to minimize displacement of persons and to provide assistance to any persons displaced.

PUBLIC HEARING PROCESS

On April 1, 2004, the State held a public hearing regarding the proposed Annual Action Plan and HOME Program Design.

The State public hearing was held relative to the adoption of this Plan and covering housing and community development needs and strategies. Notice of these meetings was published at least ten days in advance of the Public Hearing.

Public hearings were held at times and locations convenient to potential and actual beneficiaries and in facilities accessible to persons with disabilities. Where a significant number of non-English speaking residents can reasonably be expected to participate and when the State is made aware of such participation at least ten days before the hearing, it is the State's policy to will retain the services of an interpreter for all hearings.

Citizens and units of local government will have not less than thirty days (30) to comment on the proposed Plan. In addition, the State will consider any written or oral comments received at any public hearing in preparing the final Plan; a summary of all comments, including any comments not accepted, will be summarized in the final plan.

ACTION PLANS

An annual action plan will be prepared for each year covered by the Consolidated Plan. The action plan for the initial year of a Consolidated Plan will be included in the Consolidated Plan. Subsequent action plans will be prepared and submitted to the U.S. Department of Housing and Urban Development (HUD) annually. The action plan will contain information on federal and other resources expected to be available to address the priority needs and objectives of the Consolidated Plan and a description of state's method of distribution of funds received from HUD, in addition to

other items. The process for preparing the 2004 action plan included four (4) public input sessions that provided for input as to the State's method of distribution for its various housing and community development programs. These forums also provided an opportunity for local governments and other parties to offer comment on State community development and housing needs and the strategies to address the needs. Each annual action plan in succeeding years will follow the same general process.

AMENDMENT PROCESS

Any change in eligible activities or method of fund distribution that exceeds fifteen (15) percent of each program's annual available funds as contained in the Consolidated Plan is subject to an amendment process. The State intends to conduct one public hearing in Richmond for such changes. Notification will be made through DHCD mailing list. A thirty-day (30) comment period will be provided.

PERFORMANCE REPORTS

Any performance report submitted to HUD relative to the Consolidated Plan is subject to participation and comment. The state provides reasonable notice of the comment period (through newspaper advertisements at least two weeks in advance in the newspapers) and also provides a period not less than fifteen (15) days to receive comment on any performance report prior to submission to HUD. A commenter may review the performance report at DHCD's offices after alerting DHCD at least five (5) working days in advance. Summaries of comments received shall be attached to the performance report.

PUBLIC REVIEW OF DOCUMENTS

The following documents will be available to the public (citizens, public agencies, and to interested parties) at DHCD's offices if DHCD first receives a request for the document five (5) working days in advance: the Consolidated Plan, any substantial amendments to the Plan, the performance reports records relating to the foregoing three documents, and the state's use of assistance available under Community Development Block Grant, HOME, Emergency Shelter Grants, and Housing Opportunities for People with AIDS programs during the five-year period preceding the year of the request. These documents will be available upon request in a form accessible to persons with disabilities: the Consolidated Plan, substantial amendments to the Plan, and performance reports.

COMPLAINT PROCESS

The State shall provide a substantive, written response to written complaints regarding the Consolidated Plan, substantial amendments to the Plan, and performance reports within fifteen (15) working days, where practicable.

DHCD TECHNICAL ASSISTANCE

DHCD will provide technical assistance to any for-profit or nonprofit affordable housing developer or their agents in preparing and submitting proposals and otherwise pursuing assistance under the HOME Program. This assistance will generally occur via telephone, facsimile transmission, electronic mail, formal meetings, and occasional site visitation.

There are a number of policies, which are applicable to all assistance available under the Virginia HOME Investment Partnership Program.

MATCH REQUIREMENTS

The State will satisfy the requirement that it matches all HOME funds with non-federal funds at a 25 percent level in the following manner:

- A portion of the match will be derived from the present value of interest reductions of below-market-rate loans where the project also receives HOME assistance.
- The balance of the annual match liability is derived from State general revenue funds that are contributed to housing projects assisted with HOME funds and those that meet the HOME affordability requirements.
- Twenty-five percent (25%) of the State's annual match liability can be derived from the face value of State mortgage revenue bond loans, both multi-family and single family loans.

In order to comply with HUD's requirement that all federal funding under the HOME Program be committed within two years of the grant award date, and that these same funds be expended within five years of the grant award date, DHCD proposes to perform an annual reevaluation and possible reallocation of all HOME Funding for activities identified in this Program Design plan which has not been obligated by April, 2005. DHCD will reevaluate and/or reallocated any unused HOME funding by committing to support the Affordable Housing Production and Preservation projects with Letters of Intent issued as a result of targeted Requests for Proposals (RFPs), or through the Single Family Regional Loan Fund program Regional Administrators that have identified a need for additional funding for down payment and closing costs assistance through a competitive grant process based on actual usage of prior awarded grant funds.

LONG-TERM AFFORDABILITY AND AFFORDABILITY PERIODS

To ensure that HOME Investments yield affordable housing over the long term, HOME imposes rent and occupancy requirements over the length of an affordability

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period. For homebuyer and rental projects, the length of the affordability period depends on the amount of the HOME investment in the property and the nature of the activity funded. The table below provides the affordability periods.

HOME Investment Per unit	Length of the Affordability Period
Less than \$15,000	5 years
\$15,000-\$40,000	10 years
More than \$40,000	15 years
New construction of rental housing	20 years
Refinancing of rental housing	15 years

PROGRAM INCOME

The State anticipates approximately \$200,000 in program income attributed to the HOME Investment Partnership Fund. This income is in the form of interest earnings on multifamily projects and recapture of HOME funds on rehabilitated owner-occupied units due upon transfer of ownership of property. The income will be used for other HOME-eligible activities.

In the case of the Single Family Regional Loan Fund, any HOME funds recaptured during the period of affordability are not required to be remitted to DHCD. If the HOME-assisted unit fails to produce any proceeds as a result of a sale during the period of affordability, the Local Administrator must ensure that the subject property is made available to another family or individual that meets the income criteria for support under the auspices of the Fund. DHCD will require that each Administrator provide a quarterly financial accounting report of excess proceeds or report the proceeds as program income.

The Indoor Plumbing/Rehabilitation Program has continued to be administered as a loan program. Repayments are made based on the homeowner's financial capacity. The subrecipient retains repayments under IPR for use on other HOME-eligible projects. Each subrecipient must develop a plan for utilizing any program income and report program income to the State.

AFFIRMATIVE MARKETING/MINORITY AND WOMEN BUSINESS OUTREACH

DHCD requires sponsors for projects consisting of five or more units to adopt affirmative marketing procedures and requirements. DHCD provides each sponsor with a model affirmative marketing strategy that may be adapted to meet the individual project's specific features. The Department reviews draft strategies and requires that sponsors submit their final or adopted strategies for review and approval before giving its final funding commitment. These procedures and requirements must include the project sponsor's methods for informing all parties of the fair housing laws

and the policies, requirements and practices that the owner must carry out to assure the widest possible outreach, record keeping requirements, and the method to be used to assess the success of the marketing strategy.

Minority and women's business enterprise outreach requirements apply to all housing programs operated by DHCD. However, HOME-funded projects are subject to requirements that are more specific. Project sponsors are required to take several steps to facilitate participation by small women-owned and minority enterprises. These include dividing procurement s for goods, services, and contracts, where possible, into small segments; establishing delivery schedules to encourage their participation; publishing notices via *legal advertisement* in *regional* newspapers of anticipated contracts, services and procurement; maintaining solicitation lists; giving construction contractors copies of this solicitation list; including goals for women-owned and minority business goals in construction contract documents; and maintaining a register of all minority and women-owned enterprises actually used. Contract documents and individual project goals must be sent to DHCD at the time that the project sponsor is preparing bid specification packages. Project sponsors are responsible for requiring contractors to submit information monthly on minority and women-owned enterprise.

DISPLACEMENT

Projects, which cause displacement of individuals or families, are discouraged. If displacement will occur, applicants must include information on the number of tenants to be displaced, income level and the length of displacement (i.e., temporary or permanent). Applicants must also provide a proposed relocation plan and procedures as part of the application.

PROGRAM TARGETING

Grantees receiving HOME funds must use 100 percent of its HOME funds to assist families with incomes below 80 percent of the area median income. When HOME funds are used for rental housing or for TBRA, additional targeting requirements apply. For each annual HOME allocation, 90 percent of the occupants of HOME-assisted rental units and households assisted with HOME-funded TBRA must have incomes that are 60 percent or less of the area median. Tenant families with incomes at or below 50 percent of median income must occupy 20 percent of the units in each rental housing project containing five or more units.

ELIGIBLE PROPERTY TYPES

HOME rental projects may be one or more buildings on a single site, or multiple sites that are under common ownership, management and financing. The project must be assisted with HOME funds as a single undertaking. The project includes all activities associated with the site or building. With publication of the Final Rule, projects are

no longer required to be within a four-block area. HOME funds may be used to assist mixed income projects (but, only HOME-eligible tenants may occupy HOME-assisted units). Transitional as well as permanent housing, including group homes and Single Room Occupancy (SROs), is allowed. There are no preferences for project or unit size or style.

PROHIBITED ACTIVITIES FOR HOME FUNDS

- Project reserve accounts: HOME funds may not be used to provide project reserve accounts (except for initial operating deficit reserves) or to pay for operation subsidies.
- Tenant-based rental assistance for certain purposes: HOME funds may not be used as rental assistance in conjunction with the federal Rental Rehabilitation Program (Section 17) to prevent displacements. They also may not be used for certain mandated existing Section 8 Program uses, such as Section 8 rent subsidies for troubled HUD-insured projects.
- Match for other programs: HOME Program funds may not be used as the “nonfederal” match for other federal programs *except* to match McKinney Act funds.
- Operations or modernization of public housing: HOME funds may not be used to provide annual contributions for the operation of public housing or to carry out modernization activities in public housing. (Public housing is housing established under the 1937 Housing Act. Public housing modernization activities are defined at 24 CFR Part 968.)
- Properties receiving assistance under 24 CFR Part 248 (Prepayment of Low-Income Housing Mortgages): Properties receiving assistance through the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) or the Emergency Low Income Preservation Act (ELIHPA) are not eligible for HOME assistance except if the HOME assistance is provided to priority purchasers.
- Double dipping: During the first year after project completion, the PJ may commit additional funds to a project. After the first year, no additional HOME funds may be provided to a HOME-assisted project during the relevant period of affordability, *except* that:
 - Rental assistance to families may be renewed.
 - Rental assistance may be provided to families that will occupy housing previously assisted with HOME funds.
 - A homebuyer may be assisted with HOME funds to acquire a unit that was previously assisted with HOME funds.
- Acquisition of PJ-owned property: A PJ *may not* use HOME Program funds to reimburse itself for property in its inventory or property purchased for another purpose. However, in anticipation of a HOME project, a PJ may use HOME funds to:

- Acquire property.
- Reimburse itself for property acquired specifically for a HOME project with other funds.
- Project-based rental assistance: HOME funds may not be used for rental assistance if receipt of the funds is tied to occupancy in a particular project. Funds from another source, such as Section 8, may be used for this type of project-based assistance in a HOME-assisted unit. Further, HOME funds may be used for other eligible cost, such as rehabilitation, in example, Section 8 or state-funded project-based assistance.
- Emergency Shelter projects are prohibited under HOME funds.

COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS

A CHDO is a private nonprofit, community-based service organization whose primary purpose is to provide and develop decent, affordable housing for the community it serves. Certified CHDOs receive certification from a Participating Jurisdiction indicating that they meet certain HOME Program requirements and therefore are eligible for HOME funding.

HOME funds are available through DHCD exclusively for qualified, eligible CHDO projects and operating expenses. An organization certified as a CHDO is eligible to take advantage of the HOME funds set-aside just for CHDOs, as well as additional special technical assistance. CHDO set-aside funds provide equity for community-based organizations to undertake projects, build their capacity to serve a broad range of affordable housing needs, and provide guaranteed resources for affordable housing development.

The funds that have been set aside for CHDO Operating will not only be used for organization's operating fund towards expenses in developing a project. Some of these funds will also be used for training CHDOs to help build their capacity and longevity. Eligible trainings activities may include the following but not limited to:

- Becoming legally incorporated and certified as CHDOs
- Developing and sustaining community partnerships
- Raising private funds to match HOME funds, and for operations
- How to provide effective homeownership counseling and training for prospective homebuyers and renters.
- Planning and managing successful real estate projects

CHDO OPERATING ASSISTANCE

Program Requirements and Funding Thresholds

CHDOs that either are certified or are eligible to be certified by DHCD as a state-certified CHDO are eligible to apply for CHDO Operating Assistance Funds. The CHDO Operating Assistance Program is based on the development of a project. These funds provide operating support to secure the technical assistance and training necessary to obtain CHDO Set-Aside funds for an affordable housing project and to provide general operating support during the development of CHDO Set-Aside funded affordable housing projects. This funding support program is intended to assist organizations that can demonstrate a need for operating support.

This program is open year round until funds are depleted. During fiscal year 2005 approximately \$400,000 will be available. An organization may not receive more than \$50,000 or 50% of their operating budget for the project in question; whichever is greater, in a 12-month period. These funds are available to state-certified CHDOs only on a first-come first-served basis.

For CHDO project-based operating assistance, the following guidelines apply:

- Applicant must be certified by the state for the area where the project is located.
- Applicant must be a state certified CHDO.
- Applicant may be funded for up to five projects
- Applicant has a history of serving the community within which housing to be assisted with HOME funds is to be located, as evidenced by documentation of a least one year of experience in serving the community or for new organizations, there must be an assessment and work plan with the Office of Community Capacity Building unit at DHCD
- Applicant must provide a copy of their fully executed contract or commitment letter for Predevelopment/AHPP loan funds with the Department of Housing and Community Development.
- Applicants may also present an executed agreement with DHCD's Office of Community Capacity Building with the understanding that there will be a project initiated as stated above with 24 months of executing the agreement.

Funds may be used as follows:

- Salaries, Wages, and Benefits
- Rent and Utilities
- Training and Travel
- Technical Assistance
- Equipment and Supplies
- Internet Access and Communications
- Contracted Professional Service

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All funds must be used for operational expenses. No funds may be used for project costs. Grant agreement term is 12 months with opportunity for additional 12 months for each project. The applicant is expected to receive a commitment of HOME funds for a project within 24 months and remain in compliance with the HOME rules and regulations.

There is a cash match requirement of 25%, which may be met by local government, state government, or private funds. This match must be applied to operating expenses. Funds received for administering other programs may not be used as match. The applicant must have at least 25% of the total cash match requirement on hand at time of grant execution. A source document must be submitted along with the funding application. Grantees must submit paid invoices with each programmatic and financial report in order to receive additional funding. Paid invoices will be reimbursed at a rate of 75%. The remaining 25% will represent the grantee's portion of cash match. If funded, applicants will be required to submit a work plan with organizational and project milestones. If any portion of the funds is used to support salaries, applicant will be required to provide evidence of sound employment practices, including copy of employment policy, job description, and copy of resume of current employee if applicable. If successful, the applicant will also be required to provide copies of approved conflict of interest and procurement policies. Successful applicants will be required to participate in the Consolidated Planning Process as well as participate in at least one fair housing activity each year. Applicants will also be required to submit an updated report on their Comprehensive Organizational Plan.

Virginia's 23 Certified CHDOs emphasize on assisting regions to develop decent, affordable and good quality structures for the underserved areas in the state as well as for the areas where low to very low-income persons face severe affordability problems.

AFFORDABLE HOUSING PRESERVATION AND PRODUCTION PROGRAM

The Affordable Housing Production & Preservation program (AHPP) is an open-submission application process that will be funded primarily from the Commonwealth of Virginia's HOME allocation in 2004. The AHPP program provides flexible, below-market-rate loans to projects for the creation or preservation of affordable housing for lower-income Virginians.

DHCD uses its annual conference, website, contacts with the affordable housing development community, and an array of media to communicate the nature and market the availability of HOME and any other dollars linked to its Affordable Housing Preservation and Production Program.

HOME funds assigned to the AHPP program are distributed on a first-come first-serve basis to qualified developers of affordable housing, including certified CHDOs undertaking CHDO eligible activities throughout the Commonwealth of Virginia. All

AHPP projects undergo a review by DHCD staff against organizational needs assessment, and community-specific market studies and non-predevelopment loans are underwritten. All funds are intended for use with other types of financing including, but not limited to, low income housing tax credits, bond financing, and other public and private funds.

AHPP funds are designed to fill the gap in permanent financing to make a project feasible for the creation and preservation of affordable housing for lower-income households. In addition to the CHDO requirement, applicants for AHPP funds must be an owner, developer or sponsor of the project. Only CHDO's can apply for the Predevelopment Loan Fund linked to the AHPP program.

AHPP funds are only disbursed at the completion of construction, when DHCD takes out 100 percent of the construction financing. For multifamily construction, DHCD can reserve financial commitments up to two (2) years before a project is completed and HOME funds are requested to take out construction loans. For homeownership projects, HOME funds can be disbursed for construction draws at 30 percent for 3 intervals and the remaining 10 percent at project completion.

Project Eligibility

Any entity including private non-profits and for-profit organizations and public housing authorities may apply for these resources via an open submission application process. DHCD intends to certify only those CHDOs serving participating jurisdictions lying within state program areas (primarily non-metropolitan communities). Other entitlement PJs will have to certify their own CHDOs and be accountable to ensure they do not exceed funding limits for operating/technical assistance support. In the case of regional organizations (e.g., consortia) comprising communities lying both within the program area of the state and of other participating jurisdiction areas, DHCD would certify only for the jurisdictions lying with the state areas.

Eligible projects for AHPP program funding include:

- Multifamily housing consisting of five (5) or more attached units developed and secured under one deed;
- Rental housing containing four or more units with no individual structure having more than four attached units; properties can be single-family detached, duplexes, etc.; homes can be scattered site but should be in reasonable proximity (i.e. neighborhood); and congregate housing and single room occupancies are included in this category;
- Homeownership (CHDO only) defined as units developed for sale to lower-income, first-time homebuyers. Short-term lease/purchase projects (lease period not more than three (3) years) are considered homeownership projects.

AHPP funds are available to the extent that a gap exists in the permanent financing for an eligible project and that the funding requested has a positive impact on the affordability of the housing provided. DHCD and its underwriters reserve the right to recommend increases or decreases to fund requests based on cash flow, rents, other financing, etc. Generally, however, loans will be limited to \$500,000 per project or the maximum allowed based on maximum per unit subsidies allowable under the HOME program, whichever is the lesser.

INDOOR PLUMBING REHABILITATION PROGRAM

The Indoor Plumbing Rehabilitation/Loan Program (IPR) provides 0% interest loans in nonentitlement cities and counties of Virginia to low- and moderate-income (LMI) owner-occupants of substandard housing where indoor plumbing does not exist or where the existing water delivery or waste disposal system has failed. The program also provides for the general rehabilitation of these units, and for accessibility improvements or relief from overcrowded conditions, as needed, once the primary income, ownership and failed plumbing criteria are met.

The IPR Program was initiated by the Virginia Department of Housing and Community Development and has been in operation since 1989. The program is funded by the Commonwealth of Virginia, and HOME funds provided by the United States Department of Housing and Urban Development.

Over the years, the IPR program has evolved to better meet the needs of its clients and subrecipients, while upholding programmatic regulations and the major policy tenets of the Board of the Virginia Department of Housing and Community Development. The Department of Housing and Community Development contracts with subrecipients (local governments, non-profit housing providers, and housing authorities) to administer the IPR program. The subrecipients are responsible for most program operations including outreach, application intake, beneficiary and property eligibility determination, financial packaging, construction management, and loan servicing. Each subrecipient has direct ties to the community via its local housing rehabilitation advisory board. Each beneficiary household receives training in house maintenance, cleaning, and budgeting.

The key tenets of the Indoor Plumbing Rehabilitation Program are:

- 1) Only owner occupied houses that lack functional indoor plumbing qualify for assistance;
- 2) Program beneficiaries repay loans based upon ability to pay; and
- 3) Self-help and homeownership opportunities create responsibility for ongoing property maintenance and increase wealth for lower-income participants.

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DHCD contracts with sub-recipients (local governments, non-profit housing providers, planning district commissions and housing authorities) to administer the IPR Program. Each eligible local government has one annual opportunity to designate a sub-recipient to carry out the IPR program within its jurisdiction. The sub-recipient has direct ties to the community through a local housing rehabilitation advisory board. Each beneficiary household receives training in house maintenance, cleaning and budgeting

A formula based on population, per capita income, household lacking indoor plumbing and overcrowding is used to allocate funds to each eligible locality. The balance of the funds is placed in an incentive fund. Once all of a locality's allocation is obligated that locality's sub-recipient may go to the incentive fund for additional funding.

If a locality's funding allocation has not been committed or if no sub-recipient has been identified that portion of the funding reverts to the incentive pool and other sub-recipients may be draw from it.

Applicant/Project Eligibility

Locations that are not entitlement-eligible for both CDBG and HOME are eligible for an IPR allocation.

Funding Thresholds

Loan repayments are determined by the homeowner's ability to make payments. Applicants may not pay more than 25 percent of their adjusted gross income for repayment of the loan and other related housing costs. Loans are amortized over a ten-year (120 month) period. They are secured by a lien on the property, which is proportionately forgiven over the ten-year term.

The cost limits for rehab and for substantial reconstruction assume that the unit in question is a 2-bedroom unit. If the unit to be rehabilitated or the unit at the completion of the substantial reconstruction contains more than two bedrooms, the exception rules apply.

Because of the need to maximize production and limit costs, the leveraging of other funds is strongly encouraged especially through participation of the property owner.

The following table details cost limits by project type, excluding home maintenance costs:

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Project Type Costs	IPR Rehab, Unit Lacking Complete Plumbing	IPR Substantial Reconstruction, Unit Lacking Complete Plumbing	IPR Rehabilitation, Unit Lacking Bathroom	IPR Substantial Reconstruction, Unit Lacking Bathroom
Base cost	\$25,000 maximum	\$35,000 maximum (including bathroom)	\$25,000 maximum (lacking bathrooms)	\$35,000 maximum including bathroom
Exceptions	\$15,000 maximum	\$15,000 maximum	\$25,000 maximum (including bathrooms)	\$20,000 maximum
Admin.	\$ 2,200	\$ 2,200	\$ 3,000	\$ 3,000
CRSC	\$ 2,000	\$ 1,500	\$ 3,000	\$ 1,500
Temporary Relocation	\$ 1,000 maximum	\$ 1,000 maximum	\$ 1,000	\$ 1,000
Total	\$45,200	\$54,700	\$57,000	\$60,500

Exceptions allow the sub-recipient to commit additional funding, beyond the base contract cost, to the completion of the project. Failure to contract these items separately may result in the ineligibility of the entire project.

Subrecipients may obligate up to 1% of base construction costs per unit, based on actual documented costs, to carry out home maintenance education. The maximum allowable cost will be \$250 per unit. This per unit cost does not and is not intended to cover staff or rehab specialist time for training delivery. It is intended to cover items such as cleaning kits, tool kits, and handouts.

Demolition costs are “stand-alone” – neither base construction nor exception. Rather, demolition costs are a separate line item, and are to be contracted separately. DHCD has not TO DATE set a cap on per unit demolition costs, although we reserve the right to cap or cut costs if necessary.

Each sub-recipient who purchases a HEPA vacuum will be reimbursed at an allowance of \$200 per house completed until the total cost of the vacuum (up to \$1,000) has been received. A copy of the invoice must be submitted to DHCD with first request for payment.

SINGLE FAMILY REGIONAL LOAN FUND

The Single Family Regional Loan Fund (SFRLF) is a joint initiative between the Virginia Department of Housing and Community Development (DHCD) and the Virginia Housing Development Authority (VHDA). The SFRLF was developed as a non-competitive pilot program in 1996 to provide a comprehensive home ownership assistance program for low-income first-time homebuyers across the state with incomes at or below 80% AML. Organizations were encouraged to apply annually

until the entire state had full access the program. Initial participation in the pilot program was limited to organizations that could demonstrate the capacity to administer housing counseling and intake. Since its inception, the program has grown to levels that make the program totally accessible on a statewide basis. Today, the fund specifically targets lower-income individuals and families at or below 60% AMI. This programmatic shift took place in 2000 as a result of direct public input from DHCD's Consolidated Planning process and its *Analysis of Housing Needs in the Commonwealth* (Nov. 2001).

Formula Allocation Plan

Organizations are primarily allocated funding support based on their loan pool allocation from VHDA. For every \$1,000 of leveraged mortgage financing, the HOME Program allocates up to 10% plus \$2,000 of assistance for down payment and/or closing costs. After amounts are earmarked to cover VHDA loan commitments, additional monies are awarded to each Regional Administrator based on their previous year's use of HOME funding as a percent of total volume. All commitments for VHDA loan pool monies and HOME assistance are detailed in an executed contract agreement between the Regional Administrator, VHDA and DHCD that historically expire on September 30 of each calendar year. All contract agreements are limited to a one-year term. All unused HOME funding available at the end of each round will represent DHCD's carryover balance for reporting purposes. The annual amount of carryover will be de-obligated and returned to the HOME program for future use in the SFRLF for the following round of funding.

DHCD provides HOME funds to regional administrators for use as down payment and closing cost assistance. Administrators may defer, forgive, or amortize HOME funds as they deem appropriate. Any structure of HOME funds must comply with the federal HOME Investment Partnership Final Rule at 24 CFR Part 92.

Subsequently, discounted first mortgage monies are made available for first-time homebuyers that can credit qualify for VHDA financing. Mortgages can be originated through an approved VHDA-approved lender or via the VHDA Mobile Van and combined with down payment and/or closing cost assistance from DHCD's allocation of the HOME funds to make the transition into homeownership seamless. SFRLF resources may be used with other leveraged sources to provide creative affordable loan structuring. For instance, HOME funding support can be used with Rural Development products and community lending initiatives (i.e. CRA portfolio loan products) to help address the needs of clients that cannot qualify for VHDA financing. We believe this type of flexibility help make the best use of all available loan resources to benefit clients at or below 60% of the area median income (AMI).

Each Regional Administrator is responsible for the day-to-day management of the SFRLF. These tasks include:

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- Acting as the client liaison between DHCD/VHDA
- Marketing the program to area lenders for greater participation in the Fund
- Screening and pre-qualifying clients for eligibility
- Arranging homebuyer counseling and education for eligible clients. A copy of the VHDA client certificate and budget must accompany each loan package submission to the lender.
- Managing the intake process and archiving applications for five (5) years
- Providing the lender with a Financial Information Sheet (FIS) to outline all applicable program costs associated with closing the loan. Proper disclosure to Originating Agent is required for all fees to be collected on behalf of the Regional Administrator
- Communicating with VHDA, Originating Agent and Closing Agent to establish closing date and receipt of grant money.
- Promptly notifying VHDA and DHCD of any changes in grant monies after loan commitment. Increases require a revised FIS.
- Maintaining current records of loan status, sources of funding, and client demographics
- Providing all documentation needed to process HOME assistance requests from DHCD. (This includes submitting Project Set-up and Project Completion packages in a timely manner.)
- Managing the appropriate use HOME funding support based on client need
- Identifying other sources of down payment and/or cost assistance for clients in their marketplace

All originating agents are responsible for determining the final loan amount based on all resources outlined on the FIS. If questions arise concerning client eligibility, the Originating Agent should contact the Regional Administrator prior to submitting the loan for underwriting.

The Originating Agent is responsible for the following tasks:

1. Submission of a complete and accurate underwriting package to VHDA. Underwriting packages must include a complete and accurate FIS and Good Faith Estimate.
2. Review of VHDA mortgage loan commitment and satisfactory compliance with all conditions prior to closing
3. Instructing Closing Agent to forward a complete and accurate preliminary closing package to VHDA closing staff. Packages must be received 3 business days prior to estimated closing date.
4. Simultaneous review of preliminary closing package with VHDA closing staff
5. Originating Agent should notify VHDA immediately of any changes once the loan commitment is issued.
6. Receipt of final closed package from Closing Agent for delivery to VHDA within 10 business days from date of closing

Because DHCD serves as the state PJ, the Housing Program Administrator is responsible for processing requests for HOME assistance. DHCD is responsible for tracking all production related to HOME funds administered by the State. The Regional Administrator must submit all requests for down payment and/or closing cost assistance using state HOME funds to DHCD for processing. Disbursement requests cannot be approved without a copy of the commitment letter from the lender indicating its intent to finance the first mortgage. Disbursement requests are processed within 30 days of receipt by DHCD. The Regional Administrator must indicate where HOME funds should be directed based on the information provided on the Disbursement Request form. If funding support is to be directed to another source other than the Regional Administrator (i.e. the settlement company), payment instructions must be noted on the Disbursement Request.

A settlement company or attorney may be used to close a loan originated under the SFRLF. Delegated closing is strictly prohibited. The Regional Administrator must ensure that the selected agent is familiar with VHDA closing procedures and the basic requirements for applying HOME support at settlement. At minimum, the closing agent should (1) understand where all sources of certified funds will be coming from, and (2) the requirement of homebuyer's 1% contribution.

Applicant Eligibility

Funding is made available and intended to provide mortgages to those households that cannot financially qualify for other mortgage products. The funding should be targeted to those households with incomes not exceeding sixty percent (60%) of the area median income (AMI) as established by the U.S. Department of Housing and Urban Development (HUD) adjusted by family size.

All funds (VHDA loan pool and HOME down payment and closing cost assistance) are reserved for first-time homebuyers who are defined as not having an ownership interest in a primary residence within the past three years. Applicants will be required to provide tax returns for the three tax years prior to the year of application. NOTE: Applicants purchasing homes in some areas including qualified census tracts and economically distressed areas do not have to meet the first-time homebuyer requirement. DHCD reserves the right to review all loan applications for primary loans originated by other lenders when HOME funds are requested. In general, underwriting requirements expected of other lenders should be consistent with VHDA underwriting requirements. HOME funds must be in second lien position unless otherwise approved by DHCD.

The homebuyer is expected to contribute one percent (1%) of the purchase price of the property. The contribution may include fees paid by the borrower at the time of application (appraisal fee, credit report fee) and the earnest money deposit. The homebuyer's 1% required contribution cannot be made by a third party, Regional

Administrator or non-profit. All loans will be originated and underwritten using the one-percent required contribution.

The homebuyer's contribution may change at closing. Because it is difficult to determine the exact amount needed to close a loan, the homebuyer should be notified that they may be required to provide up to an *additional* one-half percent (1/2%) of the purchase price at closing. The Single Family Regional Loan Fund will also allow the final contribution to be as low as one half percent (1/2%) of the purchase price. Funding needs outside of these parameters, either more or less, may require an adjustment in the amount of HOME funds or, if HOME funds are not provided, an adjustment in the loan amount. If necessary, VHDA will adjust amounts at loan commitment to comply with this minimum investment requirement.

Regional Administrators will control the amount of HOME funds used to transact the closing. If additional cash is available and HOME assistance was provided, the additional cash must be returned to the HOME program in excess of the homebuyers required contribution. If HOME funds were not provided, the loan amount must be adjusted. Any changes resulting in an increase of HOME funds or other sources of secondary financing will need to be reflected on a corrected FIS.

Funding thresholds

Each of the 18 Regional Administrators is awarded HOME funding to pay for down payment and closing cost assistance to first-time homebuyers. The amount committed to each administrator is based on past levels of production as provides assistance of roughly 10 percent of the loan amount to each successful mortgage applicant, with adjustments made for high cost areas such as northern, Virginia.

Affirmative Fair Marketing, Fair Housing, Equal Employment Requirements

Each Regional Administrator is required to uphold all affirmative fair marketing, fair housing, and equal employment practices as outlined in the annual contract agreement and program summary as prescribed below. SFRLF Regional Administrators must undertake one of the activities highlighted below on an annual basis in order to meet the affirmative marketing requirement outlined in their contract agreement. The activity may be any from the following list or it may be one that has been specifically approved by a DHCD Program Administrator.

ACTIVITIES TO AFFIRMATIVELY FURTHER FAIR HOUSING

- Adopt a resolution endorsing the concept of fair housing and advertise its wording through the local media.
- Enact a local fair housing ordinance substantially equivalent to the federal or state law.

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- Provide all clients of your organization with a copy of the Department of Professional and Occupational Regulation (DPOR) fair housing brochure, (804) 367-8530 or a brochure from DHCD, (804) 371-7000.
- Attend a Fair Housing workshop. Be aware that two persons from your organization must attend; the Executive Director and at least one Board member. The workshop must be approved by DHCD. *NOTE: Attending a Fair Housing workshop or seminar may not be used in successive years.*
- Conduct a public educational program for local housing consumers and providers and/or financial institutions regarding fair housing issues and laws.
- Develop or fund a community based fair housing organization.
- Develop a fair housing assistance program to make housing opportunities known to minorities, to monitor compliance, and to refer discrimination complaints to the proper authorities.
- Assess the special housing problems of minorities and women, through surveys, etc., and determine any effects of discrimination. Develop a plan to assist in overcoming these effects.
- Enlist the participation of local realtors, lenders and homebuilders in an agreement and promote affirmative fair housing and review of underwriting/credit criteria. Publish the agreement in the local newspaper.
- Develop a public information network using local newspapers, radio stations, bulletin boards, churches, utility bill mailings, and the like to ensure that all segments of the community are aware of fair housing requirements, especially realtors, landlords, financial institutions, and minority households.

Subordination Agreements and HOME Subsidy Policy

Repayment of the HOME subsidy to DHCD will be required if the homeowner does not occupy the property as its primary residency during the period of affordability as demonstrated in the second deed of trust. Second deeds of trust can only be subordinated to third under the following circumstances:

If the homeowner is refinancing original mortgage to improve the primary mortgage rate by one full point, DHCD will subordinate. Participants may only include their closing cost in the refinancing.

In all cases, loan documentation must be provided to DHCD for advance consideration. DHCD must ensure that all requirements have been met before the new loan closes. The value of liens against the property must not exceed 105% of

the property's assessed value. If the borrower pays off the first lien, the second lien will be due and payable; the two loans are connected in this regard.

Repayment of the HOME subsidy to DHCD will be required if the homeowner does not remain the principal resident of the home which was subsidized with HOME dollars for the duration of the HUD-imposed period of affordability.

Guidelines for Home Ownership Resale and Recapture

The State has chosen the option of recapturing a prorated share of the HOME investment out of the net proceeds of the sale. HOME funds carry a 5 to 15-year term, based on the amount of HOME funds invested, to be secured by a junior mortgage or restrictive covenant on the property financed. Any recaptured funds resulting from a share of proceeds generated by the sale of a HOME-assisted unit during the period of affordability will be managed and administered by the Local Administrator through a separate non-interest bearing account for later use by eligible individuals or families that meet the threshold requirements for the Fund. Any HOME funds recaptured during the period of affordability *shall not* be remitted to DHCD or reported as program income. If the HOME-assisted unit fails to produce any proceeds as a result of a sale during the period of affordability, the Local Administrator must ensure that the subject property is made available to another family or individual that meets the income criteria for support under the auspices of the Fund. DHCD will require that each Administrator provide a quarterly financial accounting report of excess proceeds. The loan documents allow the State to approve the assumption of the remaining term of the loan, at time of sale, by an income-eligible purchaser.

In the case of Foreclosure, repayment and recapture provisions occur only in the case that there are net proceeds available from the sale. If there is no net proceeds from the foreclosure, repayment of HOME funds is not required, and HOME requirements are considered satisfied.

AMERICAN DREAM DOWNPAYMENT INITIATIVE

ADDI funds may only be used for down payment assistance towards the purchase of single family housing by low-income families who are first-time homebuyers. Although the federal enabling statute permits rehabilitation under the FY 2004 ADDI allocation plan, DHCD will not allow rehabilitation in conjunction with a home purchase receiving ADDI assistance under the Single Family Regional Loan Fund guidelines.

Program Goal

- Increase the overall homeownership rate, especially among minority groups who have lower rates of homeownership compared to the national average.

- More than two-thirds of all Americans own their home. Fewer than half of African-American and Hispanic families are homeowners.
- Revitalize, stabilize communities.

Eligibility Requirements

- Eligible project costs under ADDI include: acquisition costs, and related reasonable and necessary soft costs.
- The focus is on low-income families who are also first-time homebuyers. To participate, recipients must have annual incomes that do not exceed 80 percent of the area median income.
- Under ADDI, a first-time homebuyer is an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home with assistance under ADDI.
- Under ADDI, single-family housing means a one- to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot.

Applicant Eligibility

Funding is made available and intended to provide mortgages to those households that cannot financially qualify for other mortgage products. The funding should be targeted to those households with incomes not exceeding sixty percent (60%) of the area median income (AMI) as established by the U.S. Department of Housing and Urban Development (HUD) adjusted by family size.

All ADDI funds are reserved for first-time homebuyers who are defined as not having an ownership interest in a primary residence within the past three years. Applicants will be required to provide tax returns for the three tax years prior to the year of application. DHCD reserves the right to review all loan applications for primary loans originated by other lenders when ADDI funds are requested. ADDI funds must be in second lien position unless otherwise approved by DHCD.

The homebuyer is expected to contribute one percent (1%) of the purchase price of the property. The contribution may include fees paid by the borrower at the time of application (appraisal fee, credit report fee) and the earnest money deposit. The homebuyer's 1% required contribution cannot be made by a third party, Regional Administrator or non-profit. All loans will be originated and underwritten using the one-percent required contribution.

The homebuyer's contribution may change at closing. Because it is difficult to determine the exact amount needed to close a loan, the homebuyer should be notified that they may be required to provide up to an *additional* one-half percent

(1/2%) of the purchase price at closing. The Single Family Regional Loan Fund will also allow the final contribution to be as low as one half percent (1/2%) of the purchase price. Funding needs outside of these parameters, either more or less, may require an adjustment in the amount of ADDI funds, not to exceed the program maximums.

Regional Administrators will control the amount of ADDI funds used to transact the closing. If additional cash is available and ADDI assistance was provided, the additional cash must be returned to the ADDI program in excess of the homebuyers required contribution.

Program Administration

- ADDI will be administered as a part of DHCD's existing Single Family Regional Loan Fund (SFRLF), which is funded through the HOME Investment Partnerships Program (HOME). The SFRLF helps address the shortages of affordable rental housing and homeownership statewide, although it is DHCD's intention only to allow the use of ADDI funds in non-HOME entitlement areas of the state. HOME entitlement jurisdictions that do not receive a specific ADDI allocation will be considered for use of the state's ADDI funds.
- DHCD intends to concentrate its ADDI funds in partnership with other state resources that give a preference to rural areas, special needs populations, and to support home ownership in the state non-entitlement designated high-cost areas.
- Families may use the subsidy for down payment assistance, such as closing costs and interest reduction.
- The minimum amount of assistance per unit is \$1,000. The \$1,000 minimum investment can be a combination of ADDI and HOME funds. Under the ADDI statute, the amount of ADDI assistance provided to any low-income family cannot exceed the greater of six percent of the purchase price of a single family housing unit or \$10,000.

Formula Allocation Plan

The SFRLF Administrators will be allocated ADDI funding support to support their first mortgage loan allocation and supplement the HOME funding. For every \$1,000 of leveraged mortgage financing, the HOME Program allocates up to 10% plus \$2,000 of assistance for down payment and/or closing costs. After amounts are earmarked to cover first mortgage loan commitments, primarily from VHDA, additional HOME and ADDI monies will be awarded to each Regional Administrator based on their previous year's use of HOME funding as a percent of total volume. All contract agreements are limited to a one-year term. All unused ADDI & HOME

funding available at the program year will be reallocated for use by other Regional Administering organizations.

DHCD provides ADDI & HOME funds to regional administrators for use as down payment and closing cost assistance. Any structure of HOME funds must comply with the federal HOME Investment Partnership Final Rule at 24 CFR Part 92. Any structure of ADDI funds must comply with the program requirements found at 24 CFR 91.220.

Funding Thresholds

Each of the 18 Regional Administrators is awarded ADDI & HOME funding to pay for down payment and closing cost assistance to first-time homebuyers. The amount committed to each administrator is based on past levels of production as provides assistance of roughly 10 percent of the loan amount to each successful mortgage applicant, with adjustments made for high cost areas such as northern, Virginia.

Home Ownership Opportunities for Public Housing Residents

Currently, the Petersburg Redevelopment and Housing Authority, and the Accomack-Norhampton Housing Corporation are the only public housing agencies serving as Regional Administrators for the SFRLF, although we also use the Hampton Roads Planning District Commission and the Northern Virginia Planning District Commission to administer the program. In addition, in FY 2003 DHCD signed an agreement with the Richmond Redevelopment and Housing Authority that will remain in effect in 2004 to provide up to \$350,000 in down payment and closing cost assistance to RRHA residents who are taking part in a special initiative to promote homeownership opportunities for public housing residents.

DHCD intends to market its homeownership initiatives to each of the state's Public Housing Authorities serving non-entitlement areas by issuing a letter of notification. In addition, DHCD will do a specific mailing to the VA Manufactured Housing Association to notify the state's manufactured home dealers of the opportunities to participate in the SFRLF through our approved administrators.

HOME MATCH FOR THE SUPPORTIVE HOUSING PROGRAM

HUD's Supportive Housing Program (SHP), as authorized by Title IV, Subtitle C, of the McKinney-Vento Homeless Assistance Act of 1987, as amended, is designed to promote, as part of a local Continuum of Care strategy, the development of supportive housing and supportive services. These units are to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible.

Funds provided for acquisition, rehabilitation, and new construction through HUD's SHP, must be matched by the recipient with an equal amount of funds from other sources. The cash source may be the recipient, the Federal Government, State and local governments, or private resources. The Virginia HOME Investment Partnership – Match Program (HOME Match Program) provides funds for the required match for projects involving acquisition, rehabilitation, or new construction. These matching funds are to be used for bricks and mortar and not for supportive services.

Home Match funding totaling \$800,000 is available on a non-competitive basis. All applicants who applied received funding.

Targeted Population

The Supportive Housing Program (SHP) is one of the McKinney-Vento Homeless Assistance Act programs designed to move homeless persons from streets and shelters to permanent housing and maximum self-sufficiency. A person must be homeless in order to receive assistance under SHP. Applicants identify their target population in the initial application. This application is incorporated into the grant agreement and, therefore, guides implementation of the grant. Significant changes to the project must receive prior HUD approval. The category of persons to be served, or target population of the project, is specifically mentioned in the SHP regulations at 24 CFR 583.405.

HOME funds are used as match for Supportive Housing Program projects for facilities to house the homeless. The HOME Match for the Supportive Housing Program offers all or a portion of the required 50% match for the costs of acquisition, new construction or rehabilitation for supportive housing projects in Virginia that are funded through the Continuum of Care Homeless Assistance/Supportive Housing Program.

Funding priority is given to Supportive Housing Program grantees located outside HOME entitlement jurisdictions and consortiums. If requests are significantly greater than the available funds, projects are evaluated through a competitive process. The priority ranking of the project in the local or regional Continuum of Care is considered.

Applicant/Project Eligibility

Eligible applicants are those who received awards through the Continuum of Care Homeless Assistance/Supportive Housing Program for acquisition, new construction or rehabilitation for supportive housing projects in Virginia. All projects must be related to the structures, transitional housing or permanent housing, where program beneficiaries will reside. The program does not provide funding to projects utilizing HOME funds through another source.

Funding Thresholds

Awards are limited to the lesser of the amount of Supportive Housing Program funds for acquisition, rehabilitation or new construction, or the HOME Program per unit subsidy limits, not to exceed \$200,000. Funds for new construction are limited to those projects with less than twelve units.

As stated above, funding priority is given to Supportive Housing Program grantees located outside HOME entitlement jurisdictions and consortiums. To achieve geographic diversity and/or increase the number of projects funded, DHCD reserves the right to award less than the match amount required.

Funding Priority

Priority will be given to Supportive Housing Program grantees located outside of the following HOME entitlement jurisdictions and consortiums: Cities of Virginia Beach, Richmond, Arlington, Alexandria, Charlottesville, Chesapeake, Danville, Hampton, Lynchburg, Newport News, Norfolk, Portsmouth, Roanoke, Suffolk, Chesterfield, Fairfax, Henrico and Prince William County.

Eligible Activities

HOME match funds may be used for acquisition, rehabilitation, and/or new construction costs of structures to be used for supportive housing. Costs must be related to the structures, transitional housing or permanent housing, where program beneficiaries will reside. Funds for new construction are limited to those projects with less than twelve units.

To receive assistance from projects funded under the Supportive Housing Program, the people served must be homeless. Projects that propose serving other populations will not be considered for funding.

Applicants who propose to serve these populations must make clear in their applications that they (a) understand that persons are eligible only if they have no subsequent residence identified and lack the resources and support networks needed to access housing and (b) propose to serve only eligible persons. Applicants that are selected for funding will be required to have documentation of how it was determined that such persons did not have the resources or support network needed to obtain housing.

Ineligible Activities

Funds are not available to projects utilizing Home Investment Partnerships (HOME) Program funds through another source (i.e. your local government). Funds are not

available for office space, operating costs of supportive housing, including personnel; acquisition, rehabilitation or new construction of facilities where supportive services only are to be provided; or the direct provision of supportive services.

Affordability Period

Award recipients are required to utilize facilities, financed in part with HOME matching funds, to house formerly homeless Virginians for a time period mandated by the HOME regulations contained at 24 CFR Part 92. This period, known as the *affordability period*, is determined by the amount of HOME assistance per unit.

SHARE EXPANSION PROGRAM TRANSITIONAL HOUSING COMPONENT

The existing state-funded SHARE Expansion Program will provide a transitional housing component with HOME funds. The SHARE Expansion Program provides funding to be used to purchase and/or rehabilitate residential and non-residential properties into emergency shelter or transitional housing facilities.

The SHARE Expansion Program (Expansion) is funded through an appropriation from the Virginia General Assembly and administered by the Virginia Department of Housing and Community Development (DHCD). Additional funds are provided through the HOME Program through appropriations by the U.S. Department of Housing and Urban Development and administered by DHCD.

HOME funds may not be used for Emergency Shelter projects. HOME funds may be used for Transitional housing projects. Funds appropriated by the state may be used for Emergency Shelter projects or Transitional housing projects.

Program Goals and Objectives

The primary objective of the program is to meet the housing needs of homeless individuals and families in Virginia, emphasizing facilities that offer a comprehensive self-sufficiency program for their residents.

Maximum Assistance

The maximum funding assistance per project is \$200,000. Under no circumstances will the Expansion award exceed the actual eligible cost of the project.

Specific Activities

Expansion funds may be used to rehabilitate existing properties provided that the number of existing emergency or transitional housing beds is increased by a number agreed upon by the applicant and DHCD and in accordance with the identified need and scope of the planned project.

Funding Priorities

Priority One:

Acquisition and Rehabilitation

Expansion funds may be used to purchase and/or rehabilitate residential and non-residential properties into emergency shelter or transitional housing facilities.

Rehabilitation

Expansion funds may be used to rehabilitate existing properties provided that the number of existing emergency shelter or transitional housing beds is increased by a number agreed upon by the applicant and DHCD and in accordance with the identified need and the scope of the planned project.

New Construction

Expansion funds may be used for the new construction of emergency shelter or transitional housing facilities, including the acquisition of land, the cost of construction, and the addition of new units added outside the original wall of an existing emergency shelter or transitional housing facility, provided that the number of existing beds are increased a number agreed upon by the applicant and DHCD and in accordance with the identified need and the scope of the planned project.

Priority Two:

Refinancing or Acquisition of Presently Operating Facilities

Projects seeking Expansion funds to refinance an existing mortgage or to acquire a facility that is presently being operated as an emergency shelter or transitional housing facility will be considered only on the strength of the documentation that without Expansion funds the existing beds will be lost. DHCD will have discretion regarding the eligibility of any application requesting grant funds for these purposes.

Applicant/Project Eligibility

Eligible applicants for the Expansion program are nonprofit organizations, units of local government and public housing authorities who currently provide, or plan to provide, shelter and services to homeless individuals or families in Virginia.

Application Process

DHCD staff conducts site visits to all proposed Expansion projects to provide technical assistance to organizations interested in applying for the SHARE Expansion Program. Ongoing technical assistance through DHCD staff is provided as needed.

DHCD review team conducts evaluations of applications. Team members are made up of the Shelter and Support Services Unit staff. Evaluations may take up to 90 days. Notification of awards, contract and grant documents are sent to grantees 30-45 days after all necessary documentation is received by DHCD.

Application Format

Applications that meet certain threshold requirements will be accepted on an open basis at any time during the fiscal year except when the program is closed due to a lack of funds or other unavoidable reasons. Applicants are strongly encouraged to discuss the planned project with DHCD staff prior to submitting an application. All applications must be presented in a standard three ring binder with clearly labeled tabs for each major section and all attachments. Submit one original and two copies of the application. Only one copy of plans and architectural drawings should be submitted.

Description of Threshold Requirements

Applicants must meet or exceed all of the following threshold requirements before a project can be considered for an Expansion award:

Public Purpose

The applicant must provide a narrative, which documents the need for the proposed project. The narrative must describe the specific homeless population to be served and explain why this was selected. The narrative should include the number of homeless persons, from the targeted population(s) if available, in the applicant's service area, the number of turnaways from existing emergency shelter or transitional housing facilities in the service area, and other information demonstrating the need for the proposed project. If a local or regional Continuum of Care Plan has been prepared, the need for the proposed project must be related to the needs and priorities identified in the Continuum of Care. The narrative should be placed in the section labeled "Public Purpose" in your application. Letters from local and/or regional officials and service providers, or copies of the relevant section(s) of documents verifying the need for your proposed project should be included.

Program Design Submission Requirements

The applicant must provide a narrative describing in detail the supportive services that are or will be part of the in-house program or provided through linkages in the service area. Letters from other agencies or services providers documenting the

provision of services through linkages should be included in the application. The narrative should describe the screening, intake, and orientation procedures for new residents.

Finally, the narrative must include a description of the proposed facility's life/safety policies and procedures. The policies and practices which protect the health and safety of residents, staff, and visitors, include, but are not limited to, drug-free shelter and workplace policies, frequency of fire drills, methods of notification of fire escape routes, methods of eliminating or minimizing exposure to blood borne pathogens, and plans for cleaning the shelter, especially food preparation and food service areas. If the Expansion application is for expansion of a currently operating facility, a copy of a fire inspection report dated a maximum of one year prior to submission of the application, as well as documentation of any corrective measures taken, must be included.

Project Readiness

The applicant must provide documented evidence of site control in the form of an Option to Purchase, a Purchase Contract, a Deed, or a Lease Agreement with a minimum term of five years, renewable for an additional five years.

The applicant must provide evidence that the property is zoned appropriately for the proposed use. Such documentation should be in the form of a letter from the local authorized zoning official or a copy of the portion of the local zoning map which clearly indicated the zoning designation of the proposed site and a copy of the corresponding zoning ordinance which defines the allowable uses for that designation.

The applicant must provide preliminary plans, with dimensions, elevations, and a typical room layout; specifications or a work write up and a site plan, if appropriate; and evidence of a working relationship with an architect or engineer who will be preparing plans and specifications for the project.

Project Feasibility

A complete development budget, with adequate documentation of both the sources and uses of funds, development financing, and project time line must be included as a part of the Expansion application.

An operation budget for each of the five years following the completion of the Expansion project must be included. The projections of operating expenses must include documentation of the sources and uses of funds, as available.

Administrative Capacity

The applicant must include documentation of the project owner/sponsor's experience in the provision of shelter and services to homeless persons or other low-income persons, the experience of the development team for the Expansion project, and the experience of the property management team.

In addition, the project sponsor's organizational structure, current and proposed staffing pattern, and minimum qualification for each staff position, including position descriptions, must be submitted in the application.

Funding Terms and Conditions

All Expansion funds are offered as grants in the form of a forgivable loan. Recipients of Expansion program funds are required to utilize the facilities assisted with Expansion funds as a residential facility for homeless persons for a minimum of ten (10) years from the closing date on the loan. The grant is subject to repayment if the recipient violates any program requirements, including the term for which the facility will be used to shelter homeless persons.

Occupancy Requirements

Expansion funds may be used only to provide residential facilities for low-and-moderate income families. All project sponsors will be required to reserve one hundred percent (100%) of the beds assisted with Expansion funds for homeless persons with incomes below eighty percent (80%) of the area median income, as published by the U.S. Department of Housing and Urban Development.

Ineligible Activities

Expansion funds may not be for luxury improvements, construction or rehabilitation prior to the approved project period, construction or rehabilitation that is unrelated to the emergency shelter or transitional housing facility, construction or rehabilitation for facilities that do not provide residential accommodations, or operational and administrative expenses.

Construction Financing

The Expansion program is designed as a permanent financing program and is generally not to be used for construction financing. Construction financing may be provided to projects, which can document at least two efforts to obtain construction financing from conventional sources. Applicants should clearly request and explain the need for construction financing in the application. If construction financing is provided, the following procedures will apply:

- Construction draws will not exceed three;
- Funds will be disbursed in order of lien position;

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- Inspection by DHCD staff or other persons approved by DHCD will be conducted before each draw and no funds will be disbursed until the work meets DHCD's satisfaction;
- The total amount disbursed cannot exceed the assessed value of the existing facility and /or land;
- Receipts and/or invoices must be presented with each request for disbursement;
- The final draw amount cannot be less than ten percent (10%) of the total Expansion award; and
- The final disbursement will not occur until occur until all work has been completed to DHCD's satisfaction and a certificate of occupancy submitted.

VIRGINIA HOME TBRA GOALS AND OBJECTIVES

Virginia has adopted the following principles in accordance with HUD guidelines to direct its investment of HOME TBRA funds and in support of its plan to end chronic homelessness as an integral part of the national agenda.

VISION: An integrated, community-based system of individualized opportunities, services, and housing has ended homelessness in Virginia

GOAL: A model program that allows the chronically homeless to transition to stable appropriate housing and access to supportive services.

PRIORITY #1: Participants receive adequate, stable housing for up to two years while transitioning to mainstream housing options.

Objective A: Chronically homeless individuals are identified, referred, and selected to participate in the HOME TBRA program.

- **Strategy:** The local administrator provides outreach and education about the HOME TBRA program to workers within the Continuum of Care, mental health system, and other referral sources.
Expected Result: *Referral sources throughout the community are aware of the HOME TBRA program and its guidelines.*
- **Strategy:** Workers within the Continuum of Care, mental health system, or other referral source identify potential participants who can be defined as chronically homeless and whose income is at or below 60% Area Median Family Income (AMFI) and refer them to the local administrator.
Expected Result: *Potential applicants are identified and referred to the HOME TBRA local administrator.*
- **Strategy:** Applicants are selected to participate in the program based on written selection policies as determined by the local administrator and in accordance with HOME TBRA selection criteria.
Expected Results: *Virginia's HOME TBRA program has full participation (up to 35 participants receiving up to two years assistance or any satisfactory combination of participants and duration of assistance)*

Objective B: At least thirty units of housing that meet Housing Choice Voucher (Section 8) housing quality standards are available or can be made available.

- **Strategy:** The local administrator of the HOME TBRA program identifies available units within their jurisdiction and makes them available to HOME TBRA participants.

Expected Result: *Sufficient rental inventory to support maximum program participation.*

- **Strategy:** If the number of units that meet Housing Choice Voucher (Section 8) housing quality standards is not adequate to meet HOME TBRA participation, program "Match" funds (not exceeding \$1,500.00 per unit) from Virginia's "Commonwealth Fund" are available to cover the cost of basic renovations.

Expected Result: *Expanded supply of adequate housing and sufficient rental inventory to support maximum program participation.*

Objective C: Participants receive services to help them find and secure available rental units.

- **Strategy:** A staff member of the local HOME TBRA administrator or partner agency provides housing placement assistance to each participant.

Expected Result: *Participants receive support in obtaining suitable housing, thereby expediting housing placement.*

Objective D: Financial supports are available to participants to help pay for security deposits, utility deposits, and rent (including utilities).

- **Strategy:** The local administrator of the HOME TBRA program determines a payment standard based on documented fair market rents or an additional method approved by DHCD. This standard is intended to represent area rent and utility costs of moderately priced units that meet the Housing Choice Voucher (Section 8) housing quality standards.

Expected Result: *Determination of standard rental costs.*

- **Strategy:** The local administrator of the HOME TBRA program establishes a minimum rental contribution (this contribution may be minimal) and the maximum amount of rental subsidy as the difference between 30% of the individual's monthly-adjusted income and the payment standard established by the local administrator for the unit the participant will occupy and

Expected Result: *Standardized determination of each participant's contribution towards housing costs.*

- **Strategy:** The HOME TBRA payment is made directly from the local administrator to the landlord; however, this direct disbursement may be waived in special situations at the discretion of the local administrator.

Expected Result: *Sufficient numbers of landlords participate in the program and they receive rental payments on time and in full.*

- **Strategy:** To promote participation in the self-sufficiency program, the suggested term of the lease between a participant and a landlord is six

months. The participant and landlord must mutually agree upon the term of the lease.

Expected Result: *Participants receive adequate housing. The six-month renewal process encourages participation in a self-sufficiency plan, as lack of participation is a basis for non-renewal.*

- **Strategy:** Upon completion of lease term or annually at a minimum, a designee of the local administrator must: (1) review participant's income, (2) review or conduct a current needs assessment, (3) inspect unit for compliance with housing quality standards, and (4) review compliance with self-sufficiency plan.

Expected Result: *Participants are re-certified for HOME TBRA program eligibility.*

- **Strategy:** Each participant is limited to twenty-four months of rental assistance through the HOME TBRA program during this pilot project. Local administrators and partner agencies will work together to plan for transition upon completion of the program.

Expected Result: *Participants receive adequate housing for up to twenty-four months through the HOME TBRA program. If participants require continued assistance after completing this program, referrals are made to other housing assistance services. (Note: HOME TBRA participants do not lose their status on the Housing Choice Voucher (Section8) waiting list.)*

PRIORITY #2: Participation in a self-sufficiency program to develop skills that enable participants to maintain stable housing in the future.

Objective A: Participants are linked with and benefit from supportive services that are already established within the community.

- **Strategy:** Because all participants will be referred through the local CoC, the referring/partner agency will be responsible for insuring support services are available. Examples of such agencies or programs that could provide the abovementioned initial services include the Projects for Assistance in Transition from Homelessness program (PATH), Program of Assertive Community Treatment (PACT), or any similar agency or program.

Expected Result: *Participants receive and appropriate referral for self-sufficiency support services.*

- **Strategy:** All program participants receive self-sufficiency support services deemed necessary by an appropriate referral. Examples of agencies that could provide case management services include the local Center for Independent Living (CIL), the area Department of Rehabilitative Services

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branch (DRS), the local Community Services Board (CSB), the area Housing Opportunities for Persons With AIDS program (HOPWA), or any other agency or program that can provide appropriate case management services.

Expected Results: *Participants receive support in developing self-sufficiency.*

- **Strategy:** With the help of the community case manager, the participant develops and complies with a self-sufficiency plan.

Expected result: *Participant is accountable for his or her progress towards self-sufficiency.*

FUNDING AND DISTRIBUTION METHODOLOGY

ANTICIPATED USE OF FUNDING IN FEDERAL FISCAL YEAR 2004

In federal fiscal year 2004, Virginia's HOME TBRA funds will be allocated into two principal categories of usage: Administration and Assistance

Administration

Up to 10% of the Virginia HOME TBRA allocation will be used for program administration purposes. Program administration will be shared with local administrators based on 5% of their total award for assistance. The remaining amount will be used for state program administration purposes.

Assistance

Up to 90% of the Virginia HOME TBRA allocation will be used for direct rental assistance to program participants.

The Commonwealth of Virginia's allocation of HOME TBRA funds in federal fiscal year 2004 will be distributed as follows:

State Administration	\$25,000.00
Local Administrator Administration	\$25,000.00
Assistance	\$450,000.00
TOTAL HOME FUNDS	\$500,000.00

In addition to HOME TBRA funds, \$50,000.00 of fund from Virginia's Commonwealth Fund are available to provide up to \$1,500.00 of renovation allowance per project and complete the HOME TBRA mandated 25% state fund match.

DISTRIBUTION METHODOLOGY

Up to three localities will be targeted to participate as local administrators in Virginia's HOME TBRA program. To be eligible, a locality must have a Community Services

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Board and/or a Local Housing Authority. A team composed of DHCD staff members from the following units will determine up to three localities for possible participation: Housing Finance Unit, Shelter and Support Services Unit, and the Office of Community Capacity Building. The team will meet by September 1, 2004.

Funds not used during the grant year will be carried over into the next year's funding or reallocated to other DHCD programs.

FUNDING AND DISTRIBUTION METHODOLOGY MATCH REQUIREMENTS

Virginia will satisfy the requirement that it matches all HOME funds with non-federal funds at a 25% level in the following manner:

- A portion of the match is available through the Commonwealth Fund (up to 25% or \$50,000 in FY 2004) for the renovation of rental units to meet Housing Choice Voucher (Section 8) housing quality standards. Up to \$1,500.00 per unit is available.
- The balance of the annual match liability is derived from state general revenue funds that are contributed to housing projects assisted with HOME funds and those that meet the HOME affordability requirements or through state's annual match liability can be derived from the face value of State mortgage revenue bond loans, both multi-family and single family loans.

PROGRAM INCOME

Program income is gross income directly generated by a grant-supported activity, or earned only as a result of the grant agreement during the grant period. The HOME TBRA program is not expected to generate any program income.

VIRGINIA HOME TBRA GENERAL POLICIES

PROGRAM TARGETING

The Virginia HOME TBRA program targets the chronically homeless. All program participants must meet the following criteria, as defined by HUD, to be deemed **chronically homeless**.

- Unaccompanied homeless individual
- Possess a disabling condition (*physical or mental*)
- Continuously homeless for a year or more, or had at least four (4) episodes of homelessness in the past three (3) years
- Have income below 60 percent of the area median income.

ELIGIBLE PROPERTY TYPES

HOME TBRA rental units may be any rental units determined by the local administrator to meet Housing Choice Voucher (Section 8) housing quality standards and suitable for an individual participant.

REGIONAL PROJECTS

The pilot project for the HOME TBRA program requires a regional system of outreach, intake and assessment, service referral and case management, rental assistance administration, and housing quality and supply management. Applicants must be willing to provide all of these services. Applications to provide only a limited number of these services are not eligible for consideration.

DHCD TECHNICAL ASSISTANCE

DHCD provides technical assistance through telephone consultations with local administrators, monitoring/site visits, e-mail messages, and information posted on the agency's website.

STATE RESPONSIBILITIES FOR CITIZEN PARTICIPATION

The HOME TBRA program is part of DHCD's Consolidated Plan and Annual Action Plan process. The citizen participation requirements are as stated in the DHCD Citizen Participation Plan, which can be found in its 2003 Consolidated Plan covering July 1, 2003 through June 30, 2005.

ACTION PLAN

An Annual Action Plan is prepared for each year covered by the Consolidated Plan. The Action Plan for the federal fiscal year 2004 will be submitted to the U.S. Department of Housing and Urban Development (HUD) on May 1, 2004. The Action Plan contains information on federal and other resources expected to be available to address the priority needs and objectives of the Consolidated Plan and a description of state's method of distribution of funds received from HUD, in addition to other items. The process for preparing the 2004 Action Plan included four forums held between October 1 and December 15, 2003 that provided input as to the State's method of distribution for its various housing and community development programs.

Additionally the Virginia HOME TBRA program is part of the Commonwealth's Comprehensive Action Plan on ending Chronic Homelessness, which was presented for comment to the Greater Virginia Peninsula Continuum of Care Council, the Northern VA Coalition for the Homeless, the Virginia Mental Health Planning Council, and the Virginia Interagency Action Council on the Homeless during February 2004.

VIRGINIA HOME TBRA APPLICATION PROCESS

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How to Apply

A notice stating that the application is available will be mailed to potential local administrators. The application will be posted on the agency's website: www.dhcd.virginia.gov.

Application Due Date

The application will be due no later than 5:00 p.m., September 1, 2004.

Notification of Award

After the review of applications, local administrators selected to participate in the pilot program will be notified by October 1, 2004.

Eligible Applicants

Eligible applicants for the pilot program are local housing authorities in Virginia selected by a DHCD team composed of staff members from the following units: Housing Finance, Shelter and Support Services Unit, and Office of Community Capacity Building. Up to three pilot programs will be selected to participate. Local administrators must serve a jurisdiction that has a Community Services Board and/or a Local Housing Authority.

Technical Assistance

DHCD will provide technical assistance upon request.

2004 SFRLF REGIONAL ADMINISTRATOR CONTACT INFORMATION BY LOCALITY

LOCALITY	REGIONAL ADMINISTRATOR	CONTACT	PHONE
Accomack	Accomack-Northampton Hsg. Corp.	Bobby Joe Wert	757-787-2800
Albemarle	Piedmont Housing Alliance	Rebecca Sterne	434-817-2436
Alexandria	Northern VA PDC	Michelle Simmons	703-642-0700
Allegany	FAHE	Melissa Coffey	859-986-2321
Amherst	Lynchburg Neighborhood Dev.	Laura Dupuy	434-846-6964
Appomattox	Lynchburg Neighborhood Dev.	Laura Dupuy	434-846-6964
Arlington	Northern VA PDC	Michelle Simmons	703-642-0700
Augusta	Central Shenandoah PDC	Bonnie Riedesel	540-885-5174
Bath	FAHE	Melissa Coffey	859-986-2321
Bedford	Lynchburg Neighborhood Dev.	Laura Dupuy	434-817-2436
Bland	FAHE	Melissa Coffey	859-986-2321

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LOCALITY	REGIONAL ADMINISTRATOR	CONTACT	PHONE
Brunswick	Telamon Corporation	Robin Roark	434-656-8357
Buchanan	FAHE	Melissa Coffey	859-986-2321
Campbell	Lynchburg Neighborhood Dev.	Laura Dupuy	434-846-6964
Caroline	Central VA Housing Coalition	Mary Ann Bryant	540-373-5372
Carroll	FAHE	Melissa Coffey	859-986-2321
Charles City	Richmond LISC	Regina Fields	804-644-0548
Charlottesville	Piedmont Housing Alliance	Rebecca Sterne	434-817-2436
Chesapeake	Hampton Roads PDC	Dave Gist	757-420-8300
Chesterfield	Richmond LISC	Regina Fields	804-644-0548
Clark	Blue Ridge Housing Network	Susan Acri	540-635-7339
Colonial Heights	Petersburg Redevelopment and Housing Authority	Theda Peterson	804-733-2200
Craig	FAHE	Melissa Coffey	859-986-2321
Culpepper	Fauquier Housing Corporation	Michelene Hostetter	540-341-2805
Danville	Telamon Corporation	Robin Roark	434-656-8357
Dickenson	FAHE	Melissa Coffey	859-986-2321
Dinwiddie	Petersburg Redevelopment and Housing Authority	Theda Peterson	804-733-2200
Emporia	Petersburg Redevelopment and Housing Authority	Theda Peterson	804-733-2200
Essex	Scenario	Donna Thompson	804-769-1492
Fairfax	Northern VA PDC	Michelle Simmons	703-642-0700
Falls Church	Northern VA PDC	Michelle Simmons	703-642-0700
Fauquier	Fauquier Housing Corporation	Michelene Hostetter	540-341-2805
Floyd	FAHE	Melissa Coffey	859-986-2321
Fluvanna	Piedmont Housing Alliance	Rebecca Sterne	434-817-2436
Franklin	Hampton Roads PDC	Dave Gist	757-420-8300
Franklin County	Telamon Corporation	Robin Roark	434-656-8357
Frederick	Blue Ridge Housing Network	Susan Acri	540-635-7339
Fredericksburg	Central VA Housing Coalition	Mary Ann Bryant	540-373-5372
Giles	FAHE	Melissa Coffey	859-986-2321
Gloucester	Scenario	Donna Thompson	804-769-1492
Goochland	Scenario	Donna Thompson	804-769-1492
Grayson	FAHE	Melissa Coffey	859-986-2321
Green	Piedmont Housing Alliance	Rebecca Sterne	434-817-2436
Greensville	Petersburg Redevelopment and Housing Authority	Theda Peterson	804-733-2200
Halifax	Telamon Corporation	Robin Roark	434-656-8357
Hampton	Hampton Roads PDC	Dave Gist	757-420-8300
Hanover	Richmond LISC	Regina Fields	804-644-0548
Harrisonburg	Central Shenandoah PDC	Bonnie Riedesel	540-885-5174

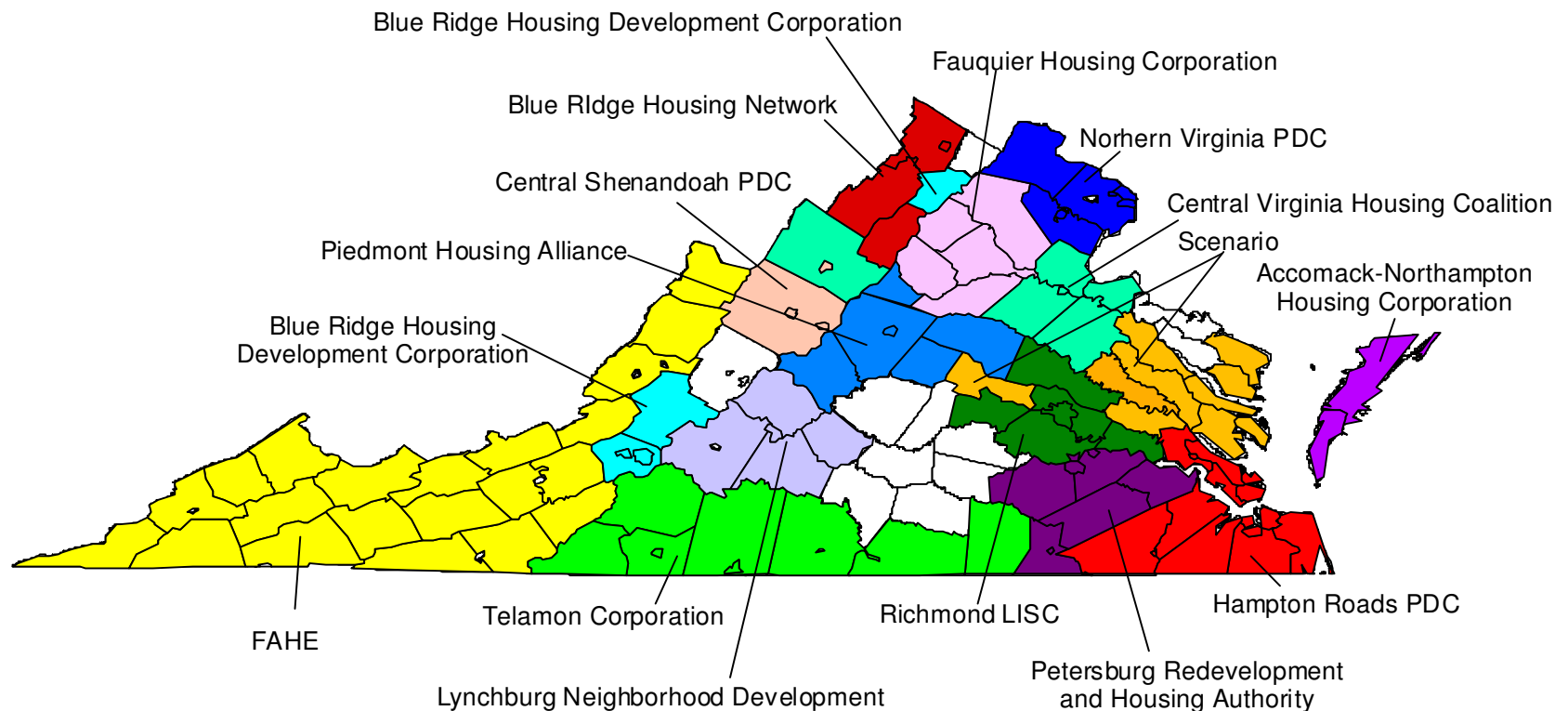
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LOCALITY	REGIONAL ADMINISTRATOR	CONTACT	PHONE
Henrico	Richmond LISC	Regina Fields	804-644-0548
Henry	Telamon Corporation	Robin Roark	434-656-8357
Highland	FAHE	Melissa Coffey	859-986-2321
Hopewell	Petersburg Redevelopment and Housing Authority	Theda Peterson	804-733-2200
Isle of Wight	Hampton Roads PDC	Dave Gist	757-420-8300
James City Co.	Hampton Roads PDC	Dave Gist	757-420-8300
King & Queen	Scenario	Donna Thompson	804-769-1492
King George	Central VA Housing Coalition	Mary Ann Bryant	540-373-5372
King William	Scenario	Donna Thompson	804-769-1492
Lancaster	Scenario	Donna Thompson	804-769-1492
Lee	FAHE	Melissa Coffey	859-986-2321
Loudon	Northern VA PDC	Michelle Simmons	703-642-0700
Louisa	Piedmont Housing Alliance	Rebecca Sterne	434-817-2436
Lynchburg	Lynchburg Neighborhood Dev.	Laura Dupuy	434-846-6964
Madison	Fauquier Housing Corporation	Michelene Hostetter	540-341-2805
Manassas	Northern VA PDC	Michelle Simmons	703-642-0700
Martinsville	Telamon Corporation	Robin Roark	434-656-8357
Mathews	Scenario	Donna Thompson	804-769-1492
Mecklenburg	Telamon Corporation	Robin Roark	434-656-8357
Middlesex	Scenario	Donna Thompson	804-769-1492
Montgomery	FAHE	Melissa Coffey	859-986-2321
Nelson	Piedmont Housing Alliance	Rebecca Sterne	434-817-2436
New Kent	Scenario	Donna Thompson	804-769-1492
Newport News	Hampton Roads PDC	Dave Gist	757-420-8300
Norfolk	Hampton Roads PDC	Dave Gist	757-420-8300
Northampton	Accomack-Northampton Hsg. Corp.	Bobby Joe Wert	757-787-2800
Northumberland	Scenario	Donna Thompson	804-769-1492
Orange	Fauquier Housing Corporation	Michelene Hostetter	540-341-2805
Page	Blue Ridge Housing Network	Susan Acri	540-635-7339
Patrick	Telamon Corporation	Robin Roark	434-656-8357
Petersburg	Petersburg Redevelopment and Housing Authority	Theda Peterson	804-733-2200
Pittsylvania	Telamon Corporation	Robin Roark	434-656-8357
Poquoson	Hampton Roads PDC	Dave Gist	757-420-8300
Portsmouth	Hampton Roads PDC	Dave Gist	757-420-8300
Powhatan	Richmond LISC	Regina Fields	804-644-0548
Prince George	Petersburg Redevelopment and Housing Authority	Theda Peterson	804-733-2200
Prince William	Northern VA PDC	Michelle Simmons	703-642-0700
Pulaski	FAHE	Melissa Coffey	859-986-2321

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LOCALITY	REGIONAL ADMINISTRATOR	CONTACT	PHONE
Rappahannock	Fauquier Housing Corporation	Michelene Hostetter	540-341-2805
Richmond City	Richmond LISC	Regina Fields	804-644-0548
Roanoke City	Blue Ridge Housing Dev. Corp.	Andrea Hager	540-777-2777
Rockingham	Central VA Housing Coalition	Mary Ann Bryant	540-373-5372
Russell	FAHE	Melissa Coffey	859-986-2321
Salem	Blue Ridge Housing Dev. Corp.	Susan Acri	540-635-7339
Scott	FAHE	Melissa Coffey	859-986-2321
Shenandoah	Blue Ridge Housing Network	Susan Acri	540-635-7339
Smythe	FAHE	Melissa Coffey	859-986-2321
Southampton	Hampton Roads PDC	Dave Gist	757-420-8300
Spotsylvania	Central VA Housing Coalition	Mary Ann Bryant	540-373-5372
Stafford	Central VA Housing Coalition	Mary Ann Bryant	540-373-5372
Staunton	Central Shenandoah PDC	Bonnie Riedesel	540-885-5174
Suffolk	Hampton Roads PDC	Dave Gist	757-420-8300
Surry	Petersburg Redevelopment and Housing Authority	Theda Peterson	804-733-2200
Sussex	Petersburg Redevelopment and Housing Authority	Theda Peterson	804-733-2200
Tazewell	FAHE	Melissa Coffey	859-986-2321
Virginia Beach	Hampton Roads PDC	Dave Gist	757-420-8300
Warren	Blue Ridge Housing Dev. Corp.	Susan Acri	540-635-7339
Waynesboro	Central Shenandoah PDC	Bonnie Riedesel	540-885-5174
Williamsburg	Hampton Roads PDC	Dave Gist	757-420-8300
Winchester	Blue Ridge Housing Network	Susan Acri	540-635-7339
Wise	FAHE	Melissa Coffey	859-986-2321
Wythe	FAHE	Melissa Coffey	859-986-2321
York Co.	Hampton Roads PDC	Dave Gist	757-420-8300

Single Family Regional Loan Fund



E. HOMELESS AND SPECIAL NEEDS ACTIVITIES

The Department of Housing and Community Development administers program funds from both federal and state sources directed toward improving the quality of existing shelter and transitional housing facilities and supportive services.

Additional funding from the Temporary Assistance to Needy Families (TANF) program, which first became available in January 2001, has provided supportive services and operations addressing the needs of homeless persons. During its 2002 regular session, the General Assembly reduced the TANF funds available for use during state FY 2003. The same year the General Assembly partially restored funding from this source for state FY 2004 and the 2003 session confirmed this action, providing \$4.9 million for the most recent fiscal year. Because the state budget remains uncertain at present, the availability of TANF funds to support homelessness prevention activities through the Homeless Intervention Program (HIP) during state FY 2005 remains in question.

Information developed during the 2001 Housing Needs Assessment process suggests that many of the housing needs of the aging, the disabled, and other populations with special needs may increase in absolute, if not relative, terms in the future. DHCD will continue to explore additional opportunities to participate with other agencies and groups in finding ways to prepare for and meet these expanding needs and their relationship to supportive services. The *Olmstead* Task Force completed its work during 2003 and adopted a series of recommendations, including several intended to address the provision of supplies of affordable and accessible housing adequate to assure that persons with disabilities can live as independently as possible within the communities of their choice. The Olmstead Community Integration Implementation Team is taking the next steps in the Olmstead Process, preparing a series of yet more specific actions that the state can take to operationalize the recommendations of the Task Force. The Disability Commission, which was reauthorized during the 2004 legislative session, will continue to pursue the implementation of recommendations addressing the housing needs of people with disabilities and continued to work with DHCD, consultants, and other agencies calling attention to those needs and recommending possible response to them.

F. OTHER HOUSING AND COMMUNITY DEVELOPMENT ACTIONS

Coordination with Low-Income Housing Tax Credits

VHDA is responsible for the administration of federal Low-Income Housing Tax Credit (LIHTC) in Virginia. LIHTC will continue be used with VHDA taxable and tax-exempt bond issues, the VHDA Housing Fund, the Virginia Housing Partnership, Community Development Block Grant (CDBG), and the HOME Investment Partnerships Program to develop multi-family rental housing. The two agencies have committed to coordinate the use of these resources to the greatest extent possible. As part of this commitment, Virginia statutes and the implementing regulations promulgated by DHCD for the state Low Income Housing Tax Credit firmly tie it to the federal credit. VHDA and the Virginia Department of Taxation cooperate with DHCD in implementing this program.

Barriers to Affordable Housing

In the coming year, the State will take the following steps to address regulatory barriers to affordable housing:

- Continue to coordinate project funding through various sources in a way that will reduce nonessential duplicative requirements.
- Continue to administer a Uniform Statewide Building Code that emphasizes the attainment of public health and safety goals for new construction and maintenance at the least cost consistent with those goals.
- Develop standards for the rehabilitation and productive reuse of existing residential and non-residential structures in accordance with recent legislative enactments.
- Offer training through the Building Code Academy that focuses on the provisions of the USBC that facilitate the maintenance, rehabilitation, development and reuse of existing buildings.
- Continue to use incentives in scoring competitively funded programs for reducing regulatory barriers at the local level.
- Promote the use of varied types of single-family dwellings in areas zoned agricultural and residential.
- Continue to scrutinize state enabling legislation, local land use ordinances, and introduced legislation with the potential to impede the production and preservation of affordable housing.
- Recommend support for legislation with the potential to increase housing affordability.
- Continue to consult with the homebuilding industry, local governments, and affordable housing advocates in considering the potential impact of state statutes and local regulations on affordable housing.
- Pursue homeownership initiatives underway at the Department that assist lower-income households for the purchase of their first home.

Lead-Based Paint Hazard Reduction

The Department of Housing and Community Development (DHCD) will continue its implementation of the Virginia Lead Safe Homes Program (VLSHP) using the \$2,160,000 proceeds of HUD's 10th Round lead-Based Paint Hazard Control Grant. The program provides funds to reduce the exposure of children to lead-based paint hazards in 120 units in three areas: Petersburg, Danville, and the Eastern Shore Counties of Accomack and Northampton.

These localities were among those with the highest rates of poisoning and include small cities and a large rural area. The three targeted Health Districts have had over 1,000 confirmed cases of children with blood lead levels of >15ug/dl during the past 7 years. Based on improved reporting, the estimated number of children with elevated blood levels in Virginia is now approximately 13,800.

The project applies interim control measures in single- and multi-family properties (4 or less units) within each target locality using HUD lead grant funds, local CDBG funds, and private funds; couples Medical Case Management (MCM) with housing programs; trains local health districts on Medical Case Management protocol for lead-based paint poisoned children, and training on home maintenance procedures to affected households to prevent lead-based paint poisoning; and provides necessary training and education for contractors.

Five units have been assisted and construction is simultaneously underway in 6 units spread across the 3 program areas and 25 more units are in the pipeline. Interim control measures are being applied, as intended. Single-family housing and some duplexes are being assisted. Client education is occurring—all assisted families receive nutrition and home maintenance education, contractor training has occurred for contractors who are working within the program and for those not working within the program but who need the training to meet their licensing requirements. To encourage participation, the local administrators have generated news stories in print and TV, have held seminars with WIC staff and WIC clients, posted flyers in construction permit offices within their localities, and at least two localities are organizing health fairs.

Matching funds in the amount of \$1,008,500 have been committed. The City of Danville has committed \$360,000 of local CDBG dollars. One-half million dollars in CDBG funds will be used in conjunction with VLSHP funds on the Eastern Shore to complete property rehabilitation (thereby requiring that all assisted properties meet Section 8 Housing Quality Standards at the time of completion). CDBG and lead-based paint grant funds will also be used to fund a licensed and certified lead-based paint construction contractor who will commit to completing the required number of lead hazard control projects within the period of performance, and who will commit to assist in the training and licensed lead workers. Other DHCD and Virginia

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Department of Health staff time and laboratory fees will leverage the grant activities for approximately \$148,500.

Approximately \$25,000 of the matching dollars have been spent to date—primarily for staff salaries on the local level and on contractor training and education. Additional expenditures are expected within the next few months to complete the rehabilitation of housing units that have received lead hazard control funds.

Property Maintenance Education

All participating property owners receive information about the importance of on-going maintenance to overcoming the primary cause of lead-based paint poisoning--deteriorated, cracked and peeling paint. The grant funds are being made available to property owners as two-year forgivable grants, and require that the property remains affordable and available for occupancy to low-income families for two years. All property owners sign a grant agreement which stipulates on-going property maintenance. They receive the required pamphlets; meet with the local lead hazard control coordinator project coordinator to review the Risk Assessment report, and are advised by the rehab specialists on how regular maintenance can avoid creating lead dust.

Health District as Educators

Participating health district staff is receiving training on home maintenance as a low-cost method to control the effect and prevalence of lead dust. Grant funds will reimburse Local Health Districts for the cost of blood screenings, nutrition education, and Home Maintenance Education to each family with a child with EBLL and who qualifies for assistance through the sub-grantees housing programs. The United Parents Against Lead (UPAL) will train the Health District staff on how to conduct Home Maintenance Education, and is assisting with some of the training in areas where the Health District is understaffed.

Project Evaluation

The data management and evaluation plan is proceeding in accordance with the agency's proposal. The Center for Environmental Studies (CES) at Virginia Commonwealth University has developed a data collection database which has been installed on desktops at each of the three localities. This database is tracking the age of assisted housing, cost of lead hazard control, EBLL of affected children within the assisted property and much more. This data collection effort will enable an assessment of the strength and effectiveness of the program as a means to control lead hazards in housing. This assessment and others like it will aid HUD in evaluating its current approaches to lead hazard control.

Reduce the Number of Poverty Level Families

DHCD will promote and coordinate housing services with activities that help reduce the number of poverty-level families in Virginia. Virginia continues to pursue several economic development initiatives that, like economic development and self-help portions of the CDBG program, are also intended to strengthen local economies, increase employment opportunities, and enhance business opportunities, particularly within lower income communities or portions of communities. These include the following:

- The **Virginia Enterprise Zone Program**, which offers tax incentives for businesses to hire and invest in distressed communities and areas of the state that have lagged behind the overall growth of the State's economy. Enabling legislation will sunset in 2005 but will be considered for reauthorization in the 2005 General Assembly session.
- The **Virginia Enterprise Initiative**, which leverages private sector support for community-based micro enterprise (self-employment) programs; these programs in turn provide access to capital and business skills to aspiring low-income entrepreneurs.

Interagency and Public Entity Coordination

DHCD will continue to work with a variety of state and federal agencies in the implementation of all of its Consolidated Plan priorities. State agencies include the Virginia Housing Development Authority (VHDA), the Virginia Housing Commission (VHC), the Virginia Department of Taxation (TAX), the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS), the Department of Social Services (DSS), VDA, and the Department of Rehabilitative Services. Federal agencies include Department of Energy (DOE), HUD, the Appalachian Regional Commission (ARC), and the Rural Development Administration (RDA) of USDA. These agencies will be invited to participate in the review of input from focus groups, as appropriate, and the development of the draft priorities and objectives. At the local level, DHCD anticipates working with public housing authorities and units of local government.

One of the priorities identified in the State's Consolidated Plan is to "Develop partnerships at the State, local, community and regional levels that facilitate coordinated use of resources and shared accountability." This priority will guide the development and implementation of housing and community development programs to the extent possible.

Appalachian Regional Commission Coordination

Administer \$3.2 million in Appalachian Regional Commission funding during state FY 2005 for projects targeting at least one of the five ARC goal areas:

- Education
- Infrastructure
- Leadership and Civic Development
- Economy
- Health

Virginia uses Appalachian Regional Commission (ARC) Program funds to foster economic development and improve the quality of life for residents of Appalachian Virginia. The Program assists the long-term development of a chronically depressed region encompassing 23 counties and 7 independent cities in Southwest Virginia. Special efforts address assistance to two designated distressed counties (Buchanan and Dickenson). Local Planning District Commissions (PDC) provide local participation in the ARC program, providing technical assistance to localities and organizations in its district. The largest portion of Virginia's ARC Funding is available to Appalachian region localities through the Area Development Program. Projects may address any eligible goal area, but most recipients use them to fund projects providing infrastructure or improving local economies.

ARC occasionally develops special Initiatives that focus on an aspect of a particular ARC goal area. ARC allocates funding, generally annually over a three- year period, to each of the 13 states in the ARC region to implement these Initiatives. Virginia is in its fourth year of implementing the ARC Entrepreneurial Initiative, which began in 1997 and targets the Commission's goal of providing "Appalachian residents . . . [with] access to technical and financial resources to help build dynamic self-sustaining communities." Virginia has used this Initiative's funding to invest in business incubators, small business training programs, and business financing efforts that create new businesses and job opportunities in Appalachian Virginia.

Virginia also anticipates placing \$250,000 into entrepreneurship activities and \$200,000 into a Telecommunications Initiative, using \$150,000 in ARC special initiative funds and \$50,000 from the \$3.2 million Area Development program funding.

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G. PROGRAM SPECIFIC REQUIREMENTS

State Method of Distribution

Program	Fund Distribution Method	Minimum	Maximum
CDBG	Competitive	\$15,814,889	\$22,057,713
	Non-Competitive	\$0	\$5,742,814
	State Administration		\$454,798
	State Technical Assistance		\$227,399
ESG	Competitive ¹		\$0
	Non-Competitive ²	\$1,328,066	\$1,328,066
	State Administration		\$69,898
HOME Including ADDI	Competitive ¹		\$1,300,000
	Non-competitive ³	\$15,109,148	\$16,409,591
	State Administration ⁴		\$1,194,600
HOPWA	Competitive	0	\$0
	Non competitive	0	\$620,800
	State Administration		\$19,200

¹ These funds have been set-aside for the HOME match for Supportive Housing, and the TBRA pilot program.

² ESG funds are awarded by first setting aside a total amount targeted to local governments. The remaining funds are divided by the total number of eligible beds and are awarded to shelters on a per bed basis. Winter shelters are awarded an amount based on the number of months they are actually open to provide shelter.

³ These funds are awarded by contract to Regional Administrators to administer the statewide Single Family Regional Loan Fund. These funds are also awarded by contract to local government sub-recipients to administer the Indoor Plumbing and Rehabilitation Program. These funds are also granted on a first-come, first-served basis to affordable housing providers and CHDOs for multifamily rental and single-family homeownership projects. The remainders of these funds are awarded by contract to affordable housing providers upon receipt of a proposal for an eligible affordable housing or shelter project.

⁴ The State reserves the right to re-program a portion of these administrative funds in accordance with its Public Participation Guidelines for eligible affordable housing activities.

Emergency Shelter Grants (ESG)

The Virginia Emergency Shelter Grants Program (ESG) provides funding through the SHARE Federal Shelter Grant for operations to local government and nonprofit providers of emergency shelter and/or transitional housing for the homeless, and funding for prevention and essential services to local government and nonprofit providers of emergency shelter and/or transitional housing for the homeless, community action agencies, public housing authorities, planning district commissions, local departments of social services, local departments of health, area agencies on aging, faith based organizations, community action agencies, and nonprofit housing organizations.

ESG is funded under the McKinney-Vento Homeless Assistance Act, through the U. S. Department of Housing and Urban Development (HUD). As stated in Federal Register Part II 24 CFR Part 576, the program is designed to be the first step in a continuum of assistance to enable homeless individuals and families to move toward independent living as well as to prevent homelessness. ESG has been administered by the Virginia Department of Housing and Community Development (DHCD) since 1989.

The 2004 Program Design includes goals and objectives, projected use of funds, and the method of fund distribution.

Proposed activities were presented at public hearings through the Consolidated Plan and Action Plan process and included in the draft Plans.

DHCD Program Goals and Objectives

Goal: Reduction in number of families and individuals experiencing homelessness.

Strategy: To assist homeless and at-risk families and individuals outside entitlement areas by providing supportive services and/or adequate shelter facilities.

OBJECTIVE A

To provide funds for operations and staff costs (not to exceed 10% of the award) for operating emergency shelter and transitional housing facilities to at least 80 recipients, providing a minimum of 2,400 beds for the homeless.

STRATEGIES AND EXPECTED RESULTS

Provide financial and technical support for operations of emergency shelters, including day shelters and winter shelters, and transitional housing facilities to result in adequate shelter for homeless individuals and families.

Performance Outcome:

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- A minimum of 25% of the homeless households served in emergency shelters in fiscal year 2004 will move into transitional or permanent housing.
- A minimum of 75% of the households who are housed in a transitional housing program in fiscal year 2004 will move to permanent housing.

Measures:

- Number of homeless persons able to secure permanent housing/or number of formerly homeless persons living in a safe and suitable living environment
- Percentage of individuals moving from shelters into permanent housing

OBJECTIVE B

To assist non-metropolitan areas in improving services to at-risk and homeless individuals and families through a comprehensive regional system of outreach, intake, assessment, service referral and case management.

STRATEGIES AND EXPECTED RESULTS

Provide financial and technical support for comprehensive services and assistance to result in a decreased number of evictions and foreclosures that cause homelessness and in decreased lengths of episodes of homelessness as part of the pilot project to address rural homelessness.

Performance Outcome:

- Homelessness averted for 2,400 households through state-supported homeless intervention prevention programs
- At least 100 households in rural areas avert homelessness through the pilot programs

Measures:

- Number of households who averted homelessness through temporary assistance programs

USE OF FUNDING IN FEDERAL FISCAL YEAR 2003

The Commonwealth of Virginia's allocation of ESG funds in federal fiscal year 2003 was distributed as follows:

State Administration	\$ 67,873
Local Government Administration	\$ 4,518
<u>Operations</u>	<u>\$1,375,420</u>
TOTAL	\$1,447,811

Remaining Operations funding will be used for re-imbursement of eligible expenditures prior to June 30, 2003, or for special projects in the following grant year.

ANTICIPATED USE OF FUNDING IN FEDERAL FISCAL YEAR 2004

In federal fiscal year 2004, Virginia's ESG funding will be allocated to four principal categories of usage: Administration, Operations, Prevention and Essential Services.

Administration

Up to 5% of the Virginia ESG allocation will be used for program administration purposes. Program administration will be shared with local government recipients based on 5% of their total award for operations. The remaining amount will be used for state program administration purposes.

Operations

Up to 85% of the Virginia ESG allocation will be used for operations of emergency shelter, day shelter, and transitional housing facilities.

Prevention

Up to 10% of the Virginia ESG allocation will be used for prevention activities.

Essential Services

Up to 10% of the Virginia ESG allocation will be used for essential services. 1

DISTRIBUTION METHODOLOGY

Funding available in the non-competitive Operations category will be awarded on a formula basis for applications received by the April 30, 2004 deadline. The amount for this category will be divided by the number of eligible beds, resulting in a per bed award for the year. Each recipient or project sponsor will receive an award determined by the number of eligible beds as of July 1, 2004, the applicant provides for homeless persons, pro-rated for the number of months the facility will be used to house homeless persons, or a percentage (50%) of the average daily attendance at day shelter programs.

CITIZEN PARTICIPATION REQUIREMENTS

The Emergency Shelter Grant program (ESG) is a part of DHCD's Consolidated Plan process. The citizen participation requirements are as stated in the DHCD Citizen Participation Plan, which the State adopted as part of its FY2003-2005 Consolidated Plan.

ACTION PLAN

An Annual Action Plan is prepared for each year covered by the Consolidated Plan. The Action Plan for the federal fiscal year 2004 will be submitted to the U.S. Department of Housing and Urban Development (HUD) before May 15, 2004. The

1 The total amount for Prevention and Essential Services will be up to 15% of the total ESG allocation. Neither activity will exceed 10% of the ESG allocation.

Action Plan contains information on federal and other resources expected to be available to address the priority needs and objectives of the Consolidated Plan and a description of state's method of distribution of funds received from HUD, in addition to other items. The process for preparing the 2004 Action Plan and Program Designs included three forums held in November and December of 2003 that provided input as to the State's method of distribution for its various housing, community development, and shelter programs. The State consulted with local service providers on proposed ESG design and method of distribution, as well as other ESG issues. These forums provided an opportunity for local governments and service providers to offer comment on State strategies to address the needs of the homeless. A public hearing took place for April 1, 2004.

Additionally ESG programs support the Commonwealth's comprehensive Action Plan on Ending Chronic Homelessness, which was presented for comment to the Greater Virginia Peninsula Continuum of Care Council, the Northern VA Coalition for the Homeless, the Virginia Mental Health Planning Council, and the Virginia Interagency Action Council on Homelessness during February 2004.

In addition, the 2004 Emergency Shelter Grant Program Design will be made available in PDF format on the agency's web site: www.dhcd.virginia.gov.

REGIONAL PROJECTS

Awards for activities under the operations category are made for individual shelter facilities. There is no requirement for a regional approach.

The pilot project for activities under the prevention and essential services categories requires a regional system of outreach, intake and assessment, service referral and case management. Applications to provide prevention and essential services in single jurisdictions are not eligible for consideration.

PROGRAM INCOME

Program income means gross income directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. It is not expected that activities under the operations, essential services and prevention categories generate any program income.

CONTRACT/GRANT AGREEMENT PROCESS

Award letters and Grant Agreements for non-competitive funding under the operations category will be provided to recipients prior to the beginning of the state fiscal year, July 1, 2004. Amendments increasing or decreasing the awards may be necessary during the grant year if the number of beds available to the homeless is changed or not fully utilized during the grant year.

Award letters and Grant Agreements for activities under the prevention and essential services categories will be provided to recipients by August 31, 2004. If necessary,

DHCD will negotiate elements of the application that require enhancements or changes within 30 days of the award.

COMPLIANCE PERIOD

Operations and Essential Services: Recipients must carry out the assisted activities for the period during which ESG assistance is provided. Recipients may use a different site or shelter during this period, as long as the same general population is served. The term general population means either the same types of homeless persons originally served with ESG assistance or persons in the same geographic area.

Prevention: Use of ESG funds for developing and implementing homeless prevention activities does not trigger period of use requirements.

DISPLACEMENT

It is not expected that activities under the operations, prevention and essential services categories will cause any displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of a project assisted with the Virginia ESG Program.

PAYMENTS

A recipient's initial request for funds in the grant year may include a working capital advance for 30 days' cash needs or an advance of \$5,000, whichever is greater. Thereafter, the recipient will be reimbursed for the amount of its actual cash disbursements. Requests may not be submitted more often than once each month. If a working capital advance is requested, it must be based on a realistic, firm estimate of the amounts required over the 30-day period in payment of eligible activity costs.

DHCD will make prompt payments pending confirmation that performance expectations are being met, and upon receipt and approval of all grant-related documents.

DHCD TECHNICAL ASSISTANCE

DHCD will provide technical assistance through telephone conversations with individual recipients, monitoring/site visits, e-mail messages, and information posted on the agency's web site.

Specialized training related to nonprofit organizations and providers of shelter for the homeless will be available as part of the annual Governor's Housing Conference in November 2004.

PLANNING DISTRICT COMMISSION REVIEW

Local government recipients must comply with the Code of Virginia § 15.2-4213. This section of the Regional Cooperation Act requires that Planning District Commissions be notified by local governments of applications for state or federal aid. It is the responsibility of a local government applicant to notify the Planning District commission of its application.

OPERATIONS OF SHELTER FACILITIES

Background

Virginia's ESG program, the SHARE Federal Shelter Grant (ESG), is designed to support the operations of emergency shelter, day shelter, winter shelter, and transitional housing facilities in non-entitlement areas of the Commonwealth. ESG offers grants for the costs of operations of programs for the homeless and staff costs for operations of facilities that do not exceed ten percent (10%) of the ESG award.

ESG funding for operations benefits local government and nonprofit providers of emergency shelter and transitional housing for homeless families and individuals in non-entitlement jurisdictions in Virginia. However, the primary beneficiaries are homeless families and individuals residing in facilities that receive ESG support.

Operations' funding totaling \$1,328,066 will be available on a non-competitive, per bed basis.

Per bed awards are determined based on the number of eligible beds as of July 1, 2004, the applicant provides for homeless persons, pro-rated for the number of months the facility will be used to house homeless persons, or a percentage (50%) of the average daily attendance at day shelter programs.

DCHD will provide operations funding to all eligible applicants. DHCD anticipates funding for at least 80 recipients, providing a minimum of 2,400 beds for the homeless.

By April 30 of each year, DHCD will review all requests for ESG reimbursements for current year operations. Recipients who have not requested all funds awarded for that fiscal year will be contacted. Funds not used during the grant year will be carried over into the next year's funding or reallocated to current recipients for operations or special projects.

Application Process

How to Apply

Application for ESG funding for operations will be combined with an application for three additional shelter-based programs administered by DHCD. A notice stating that the application is available will be mailed to the previous year's recipients and other

shelter providers who expressed interest in funding. The application will be posted on the agency's web site.

Application Due Date

The applications were due no later than 5:00 PM, April 30, 2004.

Eligible Applicants

Eligible applicants are incorporated nonprofit organizations and local governments in non-entitlement jurisdictions in Virginia who provide emergency shelter, transitional housing and/or day shelter programs for homeless persons within the Commonwealth of Virginia.

No applicants in the U. S. Department of Housing and Urban Development (HUD) designated entitlement cities of Norfolk, Portsmouth, Richmond, Roanoke and Virginia Beach and entitlement counties of Arlington and Fairfax will be considered for ESG funding.

Providers of transitional housing who receive a Supportive Housing Program grant for operation of the facility are not eligible for ESG funding for operations.

Evaluation of Applications/Criteria for award

Applications will be evaluated within 45 days of receipt for requested documentation and verification of number of beds, using the Certificate of Occupancy. If questionable, staff will use the previous grant year's statistical reports to determine average daily occupancy.

Funds will be awarded on a formula basis for applications received by the April 30, 2004 deadline. The amount for operations will be divided by the number of eligible beds, resulting in a per bed award for the year. Each recipient or project sponsor will receive an award determined by the number of eligible beds the applicant provides for homeless persons, pro-rated for the number of months the facility will be used to house homeless persons, or a percentage (50%) of the average daily attendance at day shelter programs.

Award letters will be provided to recipients by June 15, 2004. Grant agreements will be provided by June 30, 2004.

Applications are reviewed by staff in the Division of Housing.

Anticipated Number of Projects

DHCD expects to fund at least 80 grantees, providing a minimum of 2,400 beds in emergency shelter and transitional housing facilities, and providing drop-in services to approximately 130-150 clients per day.

Remaining Funds

Funds not requested before the end of the grant year (June 30, 2005) will be used for per bed funding in the next grant year or for special projects.

Program Requirements

Facility Standards

At a minimum, all facilities assisted with ESG must meet HUD Section 8 Housing Quality Standards and habitability standards. Staff may contact applicants who have not previously received ESG funds to schedule a facility tour prior to a funding decision. Staff may contact all applicants for verification or clarification of information or for additional information prior to a funding decision.

Match

Recipients of ESG funds are required to provide a dollar-for-dollar match. The match must be for the specific project for which ESG funding is requested and must be received and expended within the grant year.

Eligible sources of match are: recipient cash, nonfederal grant funds, in-kind donations and volunteer hours valued at \$5.00 per hour.

Additional Requirements

All applicants must be in good standing with the Department for homeless assistance grants previously received. Primarily religious organizations must agree to provide all activities under this program in a manner that is free from religious influences. Recipients must abide by the requirements detailed in the Federal Register Part II CFR Part 576, the Housing and Community Development Act of 1992, regulations related to Lead-Based Paint Hazards, and other applicable federal and state regulations. Additional requirements, including reporting requirements, will be communicated prior to executing a Grant Agreement.

Applicants, excluding winter shelters only, are required to offer intake, case management and information and referral services at a minimum. Providers of emergency shelter, excluding winter shelters and day shelters, must be able to document that twenty-five percent (25%) of the homeless households (a household may be a family or a single individual) served exit into transitional or permanent housing. Providers of transitional housing must be able to document that a minimum of seventy percent (75%) of households served exit into permanent housing.

Local Approval

Nonprofit applicants must submit a Certification of Local Approval for the project, signed by an authorized local government official.

Additional Documents

Additional documents required with the application are:

- Organizational Chart with all vacancies indicated

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- Position Descriptions for all staff positions
- Current Fire Inspection for each facility to be assisted with funding
- Certificate of Occupancy for each facility to be assisted with funding
- Certifications and Assurances form, signed by an authorized representative of the applicant
- Board Resolution form for nonprofit applicants or Governing Body Resolution for local government applicants
- Current Financial Management System Information form
- Applicant's most recent audit report or most recent financial statement
- Applicant's operating budget for the current year
- Admissions policy and intake forms/documents

Eligible Activities

Eligible activities are the costs of operations of programs for the homeless, and staff costs for operations of facilities that do not exceed ten percent (10%) of the ESG award.

Ineligible Activities

ESG funds for operations may not be used for the following activities or for any activity that is in violation of federal law or the laws of the Commonwealth of Virginia:

- provision of shelter or services to persons other than those who are homeless;
- provision of emergency shelter for the homeless where clients are charged a fee or rent, required to make a donation or other compensation to receive shelter or services;
- provision of transitional housing program receiving a HUD Supportive Housing Program grant for operations, Section 8 Program subsidy or any other governmental rental subsidy;
- provision of transitional housing where rents exceed 30% of the resident's income;
- provision of transitional housing where annual income from rents exceeds 50% of the organization's total budget for the transitional housing program;
- to acquire real property (buildings, land and structures), including mortgage payments;
- for building conversion or shelter renovation, rehabilitation or repair, or the fees associated with these activities;
- for homeless prevention activities such as, but not limited to, mortgage or rental assistance and rental or utility deposits; and
- provision of shelter beds for which third-party payments are received, including per diem payments from other State agencies and bed set-aside under a purchase of service contract.

Facility Standards

At a minimum, all facilities assisted with ESG must meet HUD Section 8 Housing Quality Standards and habitability standards. Staff will contact applicants who have not previously received ESG funds for operations to schedule a facility tour prior to a funding decision. Staff may contact all applicants for verification or clarification of information or for additional information prior to a funding decision.

Background

Study on Rural Homelessness

House Joint Resolution 257 (2000), continued under Senate Joint Resolution 446 (2001), requested the Virginia Housing Study Commission, with assistance from the Virginia Interagency Action Council for the Homeless (VIACH), to study the number and needs of homeless persons in rural areas of the Commonwealth and recommend strategies to foster their self-sufficiency.

Following its intensive and groundbreaking seventeen-month study, the VIACH Rural Homelessness Subcommittee unanimously recommended a bold new pilot project designed to reduce and ultimately prevent homelessness in rural (non-metropolitan) areas of the Commonwealth. (A listing of non-metropolitan and metropolitan cities and counties is included as Appendix A.) As clearly evidenced in the 2001 Virginia Rural Homelessness Survey conducted by the Virginia Center for Housing Research in conjunction with HJR 257, current approaches are inadequate to address homelessness in rural Virginia.

Focus groups including providers of services to the homeless and other low-income populations were held to review preliminary survey findings, evaluate factors contributing to homelessness, and offer recommendations based on experience with clients and service areas. Recurrent themes and areas of concern related to the pilot project as identified in the Virginia Housing Study Commission 2001 Annual Report included:

- ❑ Case Management Needs
 - Life skills training for recipients of public assistance such as Section 8 and Temporary Assistance to Needy Families (TANF) to prevent eviction
 - Home maintenance, including cleaning skills and property preservation information
 - Budgeting
- ❑ Transportation Needs
 - Free or income-based
 - Flexible schedule
- ❑ Coordination/Collaboration Needs
 - (Among and between nonprofits, private sector, faith community, local housing authorities, and local, state, and federal agencies)
- ❑ Child Care Needs

(Especially for parents working non-traditional hours)

- ❑ Housing Needs
 - Emergency shelter (including facilities to preserve intact families)
 - Transitional housing
 - Transitional housing-type services for residents of permanent housing
 - Affordable permanent housing
- ❑ Substance Abuse Prevention and Counseling Needs

(Particularly in areas experiencing a dramatic increase in substance abuse)
- ❑ Prevention Opportunities
 - Case management for residents of permanent housing
 - Intervention/service referrals in the evictions process

The Virginia Housing Study Commission 2001 Annual Report also identified key anecdotal and statistical findings about homelessness in the non-metropolitan areas of Virginia. These are as follows:

- ❑ Individuals are homeless or at-risk of homelessness for a number of primary reasons, including but not limited to, mental illness, mental retardation or borderline retardation, loss of employment, and lack of basic life skills.
- ❑ No one response of referral is effective for all homeless or at-risk people.
- ❑ Homeless or at-risk individuals and families are caught in a maze of referrals to services that may be located far from their current place of residence, if such services are available at all.
- ❑ Long-term, intensive case management is critical in many cases to break the cycle of homelessness.

In response to the recommendations of HJR 257, the Virginia Department of Housing and Community Development reserved \$150,000 from the Virginia SHARE Federal Shelter Grant (ESG) program for a comprehensive, regional system of outreach, intake and assessment, service referral and case management for families and individuals who are homeless.

Virginia's ESG program, the SHARE Federal Shelter Grant (ESG): Housing and Prevention, is designed to intervene in cases where eviction or foreclosure is imminent to prevent homelessness, and to assist homeless persons in obtaining and maintaining permanent housing. Housing is the emphasis of the pilot project.

ESG funding for essential services and prevention benefits local government and nonprofit providers of services for low-income and/or homeless families and individuals in non-metropolitan jurisdictions in Virginia. However, the primary beneficiaries are at-risk and homeless families and individuals.

By January 1, 2005, DHCD will review all requests for ESG funding for prevention and essential services to determine usage for the grant year. Funds not used during

the grant year will be reallocated to current recipients for operations or special projects.

Application Process

A notice stating that the application was mailed to shelter providers and other eligible applicants in non-metropolitan areas of the Commonwealth.

Application Due Date

The applications were received by June 5, 2003.

Funded Applicants

Eligible applicants were nonprofit and local government providers of emergency shelter and/or transitional housing, community action agencies, public housing authorities, planning district commissions, local departments of social services, local departments of health, area agencies on aging, faith based organizations, community action agencies, and nonprofit housing organizations in non-metropolitan areas of Virginia. (See Appendices for a listing of non-metropolitan and metropolitan jurisdictions.)

Funding was awarded to New River Community Action Agency and People Incorporated of Southwest Virginia on June 23, 2003 with contracts issued on August 14, 2003.

Remaining Funds

Funds not requested before the end of the grant year (June 30, 2004) were used to extend the projects into this grant year and will be supplemented by FY2004 grant year funds.

Program Requirements

Match

Recipients of ESG funds are required to provide a dollar-for-dollar match. The match must be for the specific project for which ESG funding is requested and must be received and expended within the grant year.

Eligible sources of match are: recipient cash, nonfederal grant funds, in-kind donations and volunteer hours valued at \$5.00 per hour.

Local Approval

Nonprofit applicants must submit a Certification of Local Approval for the project, signed by an authorized local government official.

Additional Documents

Additional documents required with the application are:

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- Certifications and Assurances form, signed by an authorized representative of the applicant
- Board Resolution form for nonprofit applicants or Governing Body Resolution for local government applicants
- Current Financial Management System Information form
- Applicant's most recent audit report or most recent financial statement

Eligible Activities

Eligible activities include:

- ❑ Short-term subsidies to defray rent and utility arrearages for families that have received eviction or utility termination notices and are ineligible for assistance through the SHARE Homeless Intervention Program (short-term rental and utility assistance is limited to six months of arrearages);
- ❑ Security deposits or first month's rent to permit a homeless family to move into its own apartment if the family is ineligible for assistance through the SHARE Homeless Intervention Program;
- ❑ Mediation programs for landlord-tenant disputes;
- ❑ Legal services programs for the representation of indigent tenants in eviction proceedings;
- ❑ Other innovation programs and activities designed to prevent the incidence of homelessness;
- ❑ Assistance in obtaining permanent housing;
- ❑ Assistance in obtaining Federal, State and local assistance, including mental health benefits, employment counseling, medical assistance, Veteran's benefits, and income support assistance such Supplemental Security Income benefits, Temporary Assistance to Needy Families, General Assistance, and Food Stamps;
- ❑ Supportive Services such as child care, transportation, job placement and job training; and
- ❑ Staff salaries necessary to provide the above services.

All activities must comply with the Federal Register part II 24 CFR Part 576.

Ineligible Activities

ESG funds for prevention and essential services may not be used for the following activities or for any activity that is in violation of federal law or the laws of the Commonwealth of Virginia:

- For renovation, rehabilitation, or conversion of buildings or facilities, or the fees associated with these activities
- operations of emergency shelter and/or transitional housing facilities
- staff costs for shelter-based programs for the homeless

Technical Assistance

DHCD will provide technical assistance upon request.

Housing Opportunities for Persons with HIV/AIDS (HOPWA)

Method of Distribution and Criteria for Awarding Grants

HOPWA offers grants to AIDS Service Organizations, local departments of health, Community Services Boards, and incorporated nonprofit housing organizations for acquisition, rehabilitation, new construction, leasing, operation of housing facilities, rental and mortgage assistance, utility payments, housing information, resource identification, technical assistance and supportive services for low-income persons with AIDS or HIV and their families.

Distribution Methodology

HOPWA funds are limited to jurisdictions outside of the three Eligible Metropolitan Statistical Areas (EMSA) designated by the Office of Management and Budget: Northern Virginia-Washington D.C., Newport News-Virginia Beach, and Richmond-Petersburg. DHCD allocates funds to six geographic service regions: Southwest, South Central, Northwest, Eastern, Eastern Shore, and the Middle Peninsula.

Applicant/Project Eligibility

Eligible applicants for HOPWA are nonprofit organizations and governmental housing agencies, including local government housing agencies, public housing authorities and governmental health and human service agencies that provide assistance for residential programs, such as transitional drug and/or alcohol abuse treatment and counseling, or institutional care, including sub acute care and inpatient treatment. Nonprofit housing organizations may coordinate with health and human service agencies.

Applicants are encouraged to submit a coordinated application for a region to ensure regional service coverage. A coordinated application should designate a Lead Agent responsible for overseeing regional administration of HOPWA funds, including serving as a fiscal agent. Under this arrangement, the Lead Agency, while under contract with DHCD, would be expected to execute subcontracts with other organizations in the region.

Funding Thresholds

Each year DHCD establishes regional funding targets using an "estimated need" that allocates 80 percent of program funds on the basis of the cumulative number of HIV and AIDS cases, excluding the deceased, reported to the Virginia Department of Health by local governments within each of these regions. DHCD allocates the remaining 20 percent of HOPWA funds based on each designated region's proportion of the land area in the balance of state.

Because of the 2003 changes to the EMSAs, the land area encompassed by the state HOPWA program has been reduced from 31,749 to 29,654 square miles.² Based on surveillance data from the Virginia Department of Health through March 3, 2004, 2,969 persons were residing in one of the 86 localities under the state HOPWA program when their first positive HIV antibody test was performed or when they were first diagnosed with AIDS [see Distribution of HIV and AIDS Cases Within Program Service Regions]. These statistics are based on the cumulative, unduplicated number of living persons with HIV and/or AIDS reported per locality since 1989 and 1982 respectively. Overall, the cases distributed across the current state HOPWA geographic service area account for 11.99% of all cumulative cases of HIV/AIDS in Virginia.

The Department will deduct from the State's allocation the allowable 3 percent for administration. These funds will be used to pay staff costs associated with administering the HOPWA grant (including travel costs for required site visits, technical assistance, training, and other materials directly related to the program).

Geographical Considerations

The six geographic service regions for 2004 include the following counties and cities:

- **Southwest Region:** The Counties of Lee, Scott, Wise, Dickenson, Russell, Washington, Smyth, Tazewell, Bland, Wythe, Grayson, Carroll, Patrick, Henry, Pittsylvania, Campbell, Craig, Roanoke, Botetourt, Alleghany, Floyd, Pulaski, Buchanan, Amherst, Appomattox, Montgomery, Franklin, Giles, Bedford and Halifax, and the Cities of Clifton Forge, Galax, Martinsville, Norton, Roanoke, Radford, and Salem.
- **Northwest Region:** The Counties of Bath, Culpeper, Rockbridge, Lexington, Highland, Augusta, Albemarle, Nelson, Fluvanna, Louisa, Orange, Greene, Madison, Rockingham, Shenandoah, Page, Rappahannock, and Caroline, and the Cities of Buena Vista, Charlottesville, Harrisonburg, Staunton, Winchester, and Waynesboro.
- **South Central Region:** The Counties of Amelia, Mecklenburg, Brunswick, Greenville, Lunenburg, Charlotte, Prince Edward, Nottoway, and Buckingham and the City of Emporia.
- **Eastern Shore Region:** The Counties of Accomack and Northampton.

² The HOPWA formula allocation for Virginia may be found at:
<http://www.hud.gov/offices/cpd/aidshousing/programs/formula/serviceareas/va/VirginiaVa.pdf>

- **Middle Peninsula Region:** The Counties of Middlesex, Lancaster, Westmoreland, Richmond, Essex, and Northumberland.
- **Eastern Region:** The County of Southampton and the City of Franklin.

Outreach, technical assistance, and training activities will be targeted to the Middle Peninsula with a goal of establishing a viable program.

Community Development Block Grants (CDBG)

Method of Distribution and Criteria for Awarding Grants

Funding available for Competitive Grants will be awarded following careful evaluation of all proposals received or postmarked by the March 31, 2004 deadline. Community Economic Development Fund, Community Development Innovation Fund, Disaster Recovery Fund, Lead Paint Demonstration Fund, and the Construction-Ready Water and Sewer Fund projects will receive funding on an open, first-come, first-served basis between January 5, 2004 and September 30, 2004. Urgent Need Open Submission Projects will receive funding on an open, first-come, first-served basis between January 5, 2004 and October 31, 2004. Projects will be funded to the extent of the respective funding caps.

Funding for Community Economic Development Fund, Community Development Innovation Fund, Disaster Recovery Fund, Lead Paint Demonstration Fund, and the Construction-Ready Water and Sewer Fund projects which has not been obligated following September 30, 2004 will be committed until December 31, 2004 to Self-Help projects, demand permitting, Planning Grants, demand permitting, to Urgent Need Open Submission projects, demand permitting, to the next highest ranking 2004 Competitive Grant project, demand permitting, to Administrative Bonuses, demand permitting, and to projects with Letters of Intent. Funding recaptured through closeout of older Community Improvement Grant projects or which is returned to DHCD as Program Income may also be committed to funding additional Competitive Grant, Planning Grant or Self-Help projects.

Planning Grants will be awarded on an open basis between January 5, 2004 and September 30, 2004.

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Proposed Allocation of 2004 CDBG Program Funds

Anticipated Allocation	\$26,170,514
Use Category	Allocation
State Administration	454,798
State Technical Assistance	224,399
2002 Multi-Year Housing Projects	2,442,814
2003 Letters of Intent	600,000
Planning Grants	500,000
Disaster Recovery	2,000,000
Lead Paint Demonstration Fund	700,000
Community Improvement Grants	19,245,503
Construction Ready Water and Sewer Fund	1,000,000
Community Economic Development Fund	3,000,000
Community Development Innovation Fund	2,000,000
Urgent Need Open Submission Projects	2,000,000
Competitive Grants	11,245,503

GENERAL POLICIES

NATIONAL OBJECTIVES

All proposals and all project activities must address one of the three national objectives as detailed in the earlier section entitled Community Development Block Grant (CDBG) National Objectives.

ELIGIBLE LOCALITIES

Non-entitlement units of local government are the only eligible recipients of Virginia CDBG funding, but these local governments may contract with Planning District Commissions, non-profit organizations, and other competent entities to undertake project activities.

ELIGIBLE ACTIVITIES

All activities listed as eligible in the Community Development Block Grant regulations under 24 CFR Part 570, Subpart C are eligible for funding under the Virginia CDBG Program. These regulations are available via the World Wide Web at the following address: <http://www.access.gpo.gov/nara/cfr/cfr-table-search.html>.

CITIZEN PARTICIPATION REQUIREMENTS

All applicants must provide citizens an adequate opportunity to participate in the development of proposals for CDBG assistance, particularly Community Improvement Grant proposals. Notwithstanding important, ongoing, informal

organizational efforts, each applicant for Community Improvement Grant funding must hold two public hearings to notify citizens of details of its past use of CDBG funding and of the activities, level of funding, and level of benefit targeted by its current application. In regional proposals, all participating local governments must hold these public hearings. Formal citizen participation requirements are further detailed in the 2004 Virginia Community Development Block Grant Citizen Participation Plan for Local Government Applicants, which may be found in Appendix B of the 2004 Virginia Community Development Block Grant Program Design document.

MULTI-CONTRACT LIMITATIONS

Annual requests for CDBG assistance far exceed available funding. Although CDBG assistance targets those localities which will have the greatest impact on significant community development needs, localities with multiple current contracts for CDBG assistance will not receive additional assistance until the activities under the old contracts have been completed.

Localities are limited to \$2.5 million in open CDBG contracts. Open contracts are those in which all required funding has not been expended, all contractual obligations have not been met, and/or required closeout forms have not been submitted to and physically received by DHCD. This limitation includes Community Economic Development Fund contracts, Urgent Need Open Submission contracts, Planning Grant contracts, and Community Development Innovation Fund contracts. Contracts for Self-Help and Lead Paint Demonstration Fund projects are exempted from the \$2.5 million limitation.

REGIONAL PROJECTS

For regional projects, one local government must be designated the lead locality. The lead locality and all participating localities must, prior to receiving a contract with DHCD, enter into a legally binding cooperative agreement to ensure equitable project implementation and compliance with all applicable regulations. Most project types may be considered regional if the planning or implementation activities occur in or concern each of the participating localities. Regional projects targeting physical improvements must be contained to a single area that includes portions of adjacent CDBG-eligible localities. Each locality participating in a regional project will be held responsible for having dollar value capacity under the Multi-Contract Limitations.

All regional projects are limited to the grant maximum listed for that project type, except Community Improvement Grants for regional infrastructure. Regional infrastructure projects are limited to \$2,000,000 of VCDBG assistance. These projects will be considered regional in the event that the involved localities are either creating a new entity to manage the infrastructure system or are combining systems under a single entity. Projects that simply extend utility lines from one jurisdiction to another or create interconnections between currently existing systems will not be considered regional.

Regional infrastructure projects must document:

- A significant need to be addressed through services within each locality's borders for the benefit of its residents, including investment by each locality,
- Equity in rates charged to users who are directly benefited by the CDBG investment,
- Assurances that system improvements will be adequately maintained; AND,
- Consolidation of two or more existing utility systems into a single operating entity, such as a Regional Service Authority, or creation of a new operating entity that serves the region with at least 51% of CDBG expenditures devoted to new service or a significant upgrade in service.

PROGRAM INCOME

Income generated by a CDBG project is Program Income and must be returned to DHCD except in cases where a Program Income Plan has been approved. These Plans will, in general, only be approved when the income will be reinvested in the same activity that generated the income and in the same geographic location from which it was generated. Program Income received by DHCD will be used to fund additional eligible VCDBG projects.

CONTRACT NEGOTIATION

Following announcement of the award of a grant, DHCD will schedule a Contract Negotiation Meeting with a locality to discuss further the terms of the grant offer and to identify actions which must be taken by a locality, generally within a 90 day period, in order to receive a contract from DHCD. Failure on the part of a locality to complete identified actions will result in revocation of a grant offer by DHCD. Such actions typically include, but are not limited to, completion of Federal requirements, drafting and execution of other contracts and agreements, resolution of issues from previous contracts with DHCD, and completion of certain management planning activities.

FACILITY CONTROL

Any facility built or improved with VCDBG funding must be controlled for at least 20 years through ownership or lien by the local government and maintained for the intended use OR the facility or the amount of VCDBG funding invested in the facility must be returned to the local government to use for other DHCD authorized VCDBG-eligible activities.

ANTI-DISPLACEMENT

Localities must minimize the displacement of individuals, families, businesses, organizations, and farms in implementing projects using CDBG funding. This includes direct displacement resulting from real property acquisition, rehabilitation, demolition, and conversion and any indirect displacement.

State FY 2005 Consolidated Plan Action Plan

Localities targeting Community Improvement Grant funding must certify that displacement will be minimized at the local level and that a Residential Anti-displacement and Relocation Assistance Plan will be followed that includes a one-for-one replacement provision. Each recipient of Community Improvement Grant funding must provide financial benefits and advisory services to any individual or entity involuntarily and permanently displaced because of a CDBG-assisted activity. This assistance must be provided on an equitable basis.

PROJECT ENHANCEMENTS

Additional funding of up to 10% of the VCDBG award *may* be made available to Community Improvement Grant projects for project enhancements. The provision of funding for enhancements may be included in CIG proposals and budgeted accordingly or discussed at the contract negotiation meetings following the announcement of CIG awards. Funding will only be authorized for the actual costs of those enhancements that will be consistent with and add measurable value to the original CIG activities. Examples of possible enhancements include the provision of construction skills training to residents of a neighborhood targeted by a Comprehensive project, the creation of a homeownership creation program in support of a Housing Rehabilitation project or addition of an entrepreneurial component, such as a micro-loan fund, in a Business District Revitalization project

PROJECT ADMINISTRATION

VCDBG funding may be used to cover administrative costs in Community Improvement Grants of all types. VCDBG-eligible administrative costs are limited to 10 percent of the total VCDBG award with limits depending upon project type. Such costs are limited to:

Project Type	Limits
Community Facility—Competitive Grant	\$50,000
Economic Development—Competitive Grant	\$60,000
Community Service Facility—Competitive Grant	\$60,000
Community Development Innovation Fund (except CDVC Fund)	\$60,000
Community Economic Development Fund	\$50,000
Urgent Need	\$50,000
Housing—Competitive Grant	\$75,000
Two-Activity Comprehensive—Competitive Grant	\$75,000
Three-Activity Comprehensive—Competitive Grant	\$90,000
Regional Community Facility Projects—Competitive Grant	\$90,000
Construction-Ready Water and Sewer Fund	\$20,000

Administrative cost targets may be modified during contract negotiations. VCDBG funding generally may not be used for administrative costs in Planning Grant projects

unless the locality receiving the Planning Grant award has never received prior VCDBG assistance.

Administrative Bonus:

A 10% administrative bonus, over and above the limits expressed for each project type, is available to Comprehensive, Downtown and Housing Rehabilitation projects when these projects are completed within the original contracted period of time. Any extension to the original contract date will render the project ineligible for receipt of the 10% administrative bonus. The administrative bonus will be drawn from:

1. Funds leftover in the grant at closeout of the grant; or, should no such funds be available,
2. Returned funds to the Virginia CDBG program during the program year in which the project was completed.

Completion of a project is defined as having all work 100% complete at the original termination date of the contract. In projects where housing rehabilitation and/or façade improvements are a component, the housing/façade program must be complete with no more work scheduled and no more demand for work to be done. In such cases, 90% of all housing/façade work must be complete in order for the locality to claim the project is complete and therefore access the administrative bonus. The funds may only be expended on eligible CDBG administrative or construction cost items.

PROJECT MODIFICATIONS

DHCD reserves the right to adjust requests for VCDBG assistance and the terms of this assistance to optimize the provision of benefits, ensure that activities and improvements are eligible for VCDBG assistance, and otherwise promote efficient utilization of available funding.

LETTERS OF INTENT

For projects where it is apparent that, because of the timing of the availability of other funding sources or similar factors, project implementation will not commence following an award of VCDBG funding, DHCD reserves the option of offering such a project a Letter of Intent for future VCDBG funding. Such future funding may be a commitment from a current or future year's CDBG allocation. Decisions to issue Letters of Intent will be made during the proposal review process. Applicants will receive notice of an award of a Letter of Intent at the same time other applicants receive notices of awards of funding.

Letters of Intent will generally be provided only to Competitive Grant proposals and will be limited in cumulative value to 30% of any single year's CDBG allocation. All Letters of Intent issued during 2004 will expire on May 1, 2005. DHCD reserves the right to establish an alternative Letter of Intent expiration date between May 1 and September 30, 2005 to accommodate exceptional circumstances. A locality

receiving a Letter of Intent can receive a funding offer if it executes formal agreements with all outstanding funding sources, resolves any outstanding issues, and takes formal steps to begin project implementation, such as publication of an invitation to bid for a project involving construction activities.

No extensions of a specified Letter of Intent termination date will be permitted. Letters of Intent for which all outstanding issues have not been addressed by this date will be voided, terminating all potential future funding obligations related to the original proposal submission. Localities impacted by a voided Letter of Intent will be eligible, multi-contract rule permitting, to submit a proposal for the same project in subsequent VCDBG funding competitions.

CONTRACTS AND PAYMENTS

DHCD reserves the option of funding projects under more than one performance-based contract and from more than one year's CDBG allocation. DHCD reserves the option of canceling additional contracts due to non-performance on initial contracts.

DHCD will make prompt payments under current contracts pending confirmation that performance expectations are being met. DHCD reserves the option of withholding payments for non-performance under any particular VCDBG project and for non-performance under any other DHCD programs.

DHCD TECHNICAL ASSISTANCE

DHCD will provide technical assistance to local governments and their agents in preparing and submitting proposals and otherwise pursuing assistance under the Virginia CDBG Program. This assistance will generally occur via telephone, facsimile transmission, electronic mail, formal meetings, and occasional site visitation.

PLANNING DISTRICT COMMISSION REVIEW

Local governments must comply with the Code of Virginia §15.2-4213. This section of the Regional Cooperation Act requires that local governments notify Planning District Commissions of applications for state or federal aid. Because this notification is for informational purposes only, it may take many forms during the pursuit of VCDBG assistance. Notification may be more standardized for those VCDBG assistance offerings with formal proposal submission requirements.

Disaster Recovery Fund

The Disaster Recovery Fund (DRF) is a new, temporary program that sets aside \$2,000,000 to rebuild houses that were totally or substantially destroyed as a result of a natural disaster.

Funds will be provided on a first-come, first-served basis to repair or reconstruct individual houses that meet the following criteria:

- The unit is the sole, year-round domicile of the household which inhabits it;
- The unit is owner-occupied;

- The household documents that it qualifies as low- and moderate-income under HUD's Section 8 guidelines. (80% of median income by family size);
- The house was destroyed or received damages exceeding 75% of its assessed value as a result of the disaster;
- The homeowner documents that the damage was either not insured or that insurance payments were sought but were officially disallowed;
- The home can be rebuilt according to flood plain regulations on the homeowner's lot;
- The homeowner will agree to accept a ten-year lien on improvements subject to an amortized forgivable loan.

Only localities which are eligible for Virginia non-entitlement CDBG funds are eligible to receive CDBG Disaster Recovery Fund monies.

Applications for the CDBG Disaster Recovery Fund will be received on an ongoing basis starting January 5, 2004 until either fund is committed or until September 30, 2004, whichever comes first. In the event that funds remain in the CDBG Disaster Recovery Fund after September 30, 2004, DHCD reserves the right to evaluate ongoing demand for the program and use these funds to continue the DRF or to use these funds for Self-Help Projects or, failing demand in that program, to fund the next highest ranking 2004 Competitive Grant projects.

Funds must be made available as a loan to a client and payback of the loan is predicated on the recipient household's ability-to-pay. The loan is made to the client at 0% interest amortized over ten (10) years. The difference between the client's ability-to-pay and the actual cost of the loan per month at 0% is forgiven on a monthly basis. The loan must be secured by a lien held by the locality that receives the funds from DHCD.

All construction and rehabilitation must be done in accordance with DHCD's CDBG Construction Grant Manual.

Lead Paint Demonstration Fund

The Lead Paint Demonstration Fund is a new, temporary fund of \$700,000 reserved for eligible localities, which have been designated in the Commonwealth's lead-based paint demonstration grant. The purpose of this funding is to assist in the rehabilitation of housing units to meet HUD Housing Quality Standards. This Fund will be open from January 5, 2004 to September 30, 2004.

PLANNING GRANTS

Background

Virginia's CDBG Planning Grant program is designed to aid those communities with the greatest community development needs in developing clearly articulated strategies for addressing these needs following meaningful citizen participation.

Planning Grant funding totaling \$500,000 is available on an open basis from January 5, 2004 until September 30, 2004 or until all of the funding is committed, whichever comes first. In January 2004, Planning Grant workshops will be held wherein DHCD staff will discuss the process for requesting Planning Grant funding and representatives of localities with past success in obtaining Planning Grant funding will discuss their experiences.

A locality interested in obtaining Planning Grant assistance must submit an Interest Letter in accordance with format developed by DHCD. In general, this Interest Letter will include a brief description of the project area and the community development needs in this area, a discussion of locality and project area readiness and capacity to proceed with a participatory planning process, and some justification for why Planning Grant funding is needed. DHCD will review this Interest Letter and provide the applicant locality with a written response outlining activities that must be accomplished prior to Planning Grant investment and/or that invites the locality to submit a brief Planning Grant proposal in accordance with the Planning Grant Proposal Format. DHCD will award Planning Grant funding following its review of Planning Grant proposals.

Categories

There are five categories of Planning Grants: Community Organizing Planning Grants; Community Needs Assessment/Economic Assessment Planning Grants; Project Planning Grants; Business District Revitalization Project Planning Grants; and Regional Project Planning Grants.

Project Planning Grants

Project Planning Grants of up to \$25,000 are available for needs analysis and prioritization, preliminary design, and strategy development activities in preparation for a future Community Improvement Grant proposal. DHCD reserves the option of awarding additional Planning Grant funding in excess of this limit for projects which are particularly innovative, challenging, or costly. Eligible activities include:

- Community assessments, needs analyses, and need prioritization
- Activation and organization of target area residents and stakeholders
- Surveys of residents, users, customers, and potential beneficiaries
- Obtaining easements and user agreements
- Development of cost estimates and Preliminary Engineering Reports (PERs)
- Completion of market studies

All Project Planning Grant activities must be conducted with maximum participation by residents, potential beneficiaries, stakeholders, and local leaders. This participation should be in accordance with the previously referenced Virginia Community Development Block Grant Citizen Participation Plan for Local Government Applicants.

Planning Grant activities should be oriented towards the development of products that relate directly to a future Community Improvement Grant project. These products should detail community development problems and present realistic solutions for treatment of these problems. All Project Planning Grant recipients must submit complete Community Improvement Grant proposals following completion of all planning activities unless otherwise negotiated with DHCD.

Business District Revitalization – Project Planning Grants

Because thorough preparation for BDR construction projects is necessary to ensure the desired community outcome of improved overall economic vitality, DHCD is offering a tiered grant process for this project type. It often takes several years of appropriate planning and development efforts for these projects to be successful and the following grant levels are designed to recognize and accommodate this.

PHASE 1, Planning: A locality may apply for up to \$5,000 to conduct preliminary activities such as: initial community meetings; development of a management team; conducting a facilitated planning strategy; visioning sessions, developing collaborations with potential partners and stakeholders; collecting preliminary data through surveys and research; learning about the Main Street approach; and determining future track. A Phase 1 contract is for up to 1 year. If indicators are positive and performance satisfactory, locality may negotiate with DHCD to move to the next Phase.

PHASE 2, Planning: A locality desiring to move to Phase 2 will need to state its intent for further business district revitalization efforts to take one of three tracks 1) Pursue elimination of physical blight only; 2) Pursue elimination of physical and economic blight; 3) Pursue elimination of physical and economic blight and subsequently include construction / installation of business district amenities (e.g., beautification efforts such as decorative sidewalks, installation of benches, streetlamps, gateways, signage, overhead utility relocation, etc.) **DHCD reserves the right to concur with the locality's choice of tracks prior to moving forward with funding offers.**

A locality opting for **Track 1** is eligible to access up to an additional \$20,000 to carry out planning activities for efforts needed to further determine the extent and elimination of all physical blight. These planning activities could include more detailed building and structural assessments, engineering reports, renovation or demolition plans, preliminary architectural or construction designs which would be necessary for a construction project application, etc.

A locality opting for **Track 2** (addressing elimination of both physical and economic blight) or **Track 3** (addressing physical and economic blight and pursuing business district amenities) is eligible to access up to an additional \$30,000 to conduct the types of activities noted above in Track 1 (related to physical blight elimination) and

also to conduct activities related to addressing economic blight such as: detailed analysis and definition of the existing economic conditions (this may include a market analysis but would also need an assessment specific to the locality's circumstances); detailed business district community surveys addressing perceived business district needs and demand for services/improvements; design of a building façade program; assessment of specific business needs and design of plans to address those needs (e.g., small business development training / technical assistance, micro loan program, etc.), and a business district marketing plan. Activities related to design of physical business district amenities would also be eligible (e.g., renderings of streetscapes, designing the relocation of utilities, etc.) Locality is required to become a Main Street affiliate if not already one. A Phase 2 planning contract could run for up to 2 years.

Phases 3 and 4 are construction phases.

Community Needs Assessment/Economic Assessment Planning Grants

Community or Economic Assessment Planning Grants of up to \$10,000 are available for a locality to conduct a single objective general needs analysis and prioritization of community or economic conditions and future direction.

Regional Project Planning Grants

Project Planning Grants of up to \$40,000 are available for a regional effort of more than one locality for needs analysis and strategy development activities in preparation for a future Community Improvement Grant (construction) proposal. Eligible activities include:

- Community assessments, needs analyses, and need prioritization
- Activation and organization of target area residents and stakeholders
- Surveys of residents, users, customers, and potential beneficiaries
- Obtaining easements and user agreements
- Development of cost estimates and Preliminary Engineering Reports (PERs)
- Completion of market studies

Community Organizing Planning Grants

Community Organizing Planning Grants of up to \$10,000 are available for activation and organization of community residents to develop strategies for future social and physical improvements. Eligible activities include:

- Conducting assessments of community strengths, weaknesses, opportunities, and threats
- Establishing goals and objectives
- Developing work plans and implementation strategies

Citizen participation is the central purpose of these Planning Grants and should result in an organized, informed community that has reached consensus on a practical

vision of the future and has the capacity and options available for future community improvement.

The sole product of these grants is a summary of planning efforts undertaken and results of this planning. All Community Organizing Planning Grant recipients must submit complete Project Planning Grant proposals or pursue project planning under a Just-In-Time or Technical Assistance Planning Grant following completion of organizing activities unless otherwise negotiated with DHCD. A Community Improvement Grant proposal is not required following a Community Organizing Planning Grant.

Of the \$500,000 available for Planning Grants, no more than \$60,000 will be targeted for Community Organizing Planning Grants. This amount is only a maximum, not a reservation of funds.

Proposal Evaluation

Planning Grant investment decisions will be based on the following considerations:

Is there a clear indication of community development needs?

Proposals must demonstrate some local knowledge of the scope and scale of the community development needs in the proposed project area. Certainly, the Planning Grant investment is provided to fully assess the scope and scale of such needs, but there has to be some evidence that Planning Grant funding would be properly applied in a particular project area because there is some good knowledge that needs exist. There must be evidence that the needs are known among potential beneficiaries and local officials alike.

Are there potential benefits?

The needs identified must generally be eligible targets for future VCDBG investments. One test of eligibility is whether the need can be addressed under at least one of the three CDBG national objectives, particularly benefit to low- and moderate-income persons. Another test is whether the need can be addressed through one of the VCDBG funding options, including Competitive Grants, the Community Development Innovation Fund, and the Community Economic Development Fund. There must also be evidence of participation by potential beneficiaries in the Planning Grant process to the extent that needs and demand can be fully assessed.

Is there adequate local readiness?

There must be evidence that local officials and stakeholders alike are committed to fully identifying and addressing local needs. Generally, a management team must exist which is comprised of stakeholders and local officials. This team must agree to meet regularly to actively address issues that arise during the planning process. The locality must show a willingness to remove any barriers to addressing the identified

needs, particularly those subject to local control. The locality must also commit financial resources to fill gaps not covered by Planning Grant assistance.

Is there adequate local capacity?

There must be evidence that the locality and management team have the time, funding, and expertise to follow through with the planning process. If local expertise is lacking, the locality must procure professional assistance. If funding is lacking, the locality must identify other sources of funding. Time cannot be lacking.

Is there a need for Planning Grant funding?

For localities that have participated extensively in the VCDBG program, Planning Grant assistance should be targeted for projects that are innovative and/or unlike anything the locality has undertaken before or for components of typical projects that the locality cannot undertake with its own resources. For localities that have not participated extensively in the VCDBG program, Planning Grant assistance can be targeted to a range of costs associated with obtaining community input and contracting for professional assistance. It is a locality's responsibility to state its case for Planning Grant funding adequately in its proposal.

Payment for Performance

All Planning Grant projects will have a common action that is a Facilitated Planning Strategy session. This session shall include all key local stakeholders and appropriate staff from DHCD and other relevant organizations. This session will result in the establishment of planning performance targets and decision points that will provide the basis for the issuance of a Planning Grant contract.

Contracts for Planning Grants will stipulate the criteria, date, and grant amount for successive performance targets. Successful completion of targets will trigger the release of grant funding and the obligation of additional funding for activities related to future performance targets. A negotiated amount of funding may be provided to localities for initiation of planning activities, but this amount will be an element of, not an addition to, the total amount of Planning Grant funding committed to a project. For most Planning Grants, the total amount committed to any one project will be negotiated with the locality and will depend upon the level of need and community capacity and readiness. The total amount will not exceed the amounts listed in this Program Design or negotiated with DHCD.

Technical Assistance

Localities interested in Planning Grant assistance can contact DHCD at any time to discuss a particular project or find out more about the Planning Grant offering.

COMMUNITY IMPROVEMENT GRANTS

Virginia's CDBG Community Improvement Grant (CIG) option is designed to aid those communities with the greatest community development needs in implementing projects which will most directly address these needs.

There are five options for Community Improvement Grant assistance: Competitive Grants, Community Development Innovation Fund Grants, Community Economic Development Fund Grants, Construction-Ready Water and Sewer Fund Grants, and Urgent Need Open Submission Grants.

COMPETITIVE GRANTS

Competitive Grants are awarded following the Virginia Department of Housing and Community Development's (VDHCD) competitive review of the applicable proposals. The deadline for submission of Competitive Grant proposals to the VDHCD is March 31, 2004. No proposals will be accepted under this option prior to March 17, 2004. Proposal review will occur in April and May of 2004. Announcement of Competitive Grant offers is anticipated by June of 2004.

Of the estimated \$17,872,266 available in 2004 for Community Improvement Grants, approximately \$9,872,266 will be available for Competitive Grant projects.

There are five primary project types under the Competitive CIG option:

- Comprehensive Community Development
- Economic Development
- Housing
- Community Facility
- Community Service Facility

Localities with potential projects with features applicable to more than one of these project types should contact DHCD for technical assistance.

The policies applicable to these project types are detailed below.

Comprehensive Community Development

These projects target the completion of a range of improvements to a neighborhood in direct response to identified needs therein. These needs should be derived from a recent client-based needs assessment of the neighborhood or target area. This assessment should include analysis of a full range of need areas including housing, water, sewer, streets, drainage, sidewalks, solid waste/garbage, debris removal, street lighting, recreation, police protection, fire protection, and other neighborhood-specific items.

For eligibility as a Comprehensive project, applicants must target the completion of improvements to an appropriate level of significance in relation to needs identified through the assessment. All Comprehensive projects must target at least two

significant activities. Furthermore, this significance must be demonstrated by category, such as housing, sewer, or water, rather than by component, such as owner-occupied housing rehabilitation or substantial reconstruction. Comprehensive eligibility provisions are as follows:

For projects with exactly two significant activities:

- Eligible for up to \$1,000,000 in CDBG assistance
- Significant activities will be those which have a representation in the project budget no lower than 20% and no higher than 70% of the total project cost
- Activities with a budgetary representation of less than 20% can be included in the project and may be eligible for CDBG funding pursuant to typical eligibility factors and provided funding remains under the \$1,000,000 limit.

For projects with at least three significant activities:

- Eligible for up to \$1,400,000 in CDBG assistance
- Significant activities will be those which have a representation in the project budget no lower than 10% and no higher than 60% of the total project cost
- Activities with a budgetary representation of less than 10% can be included in the project and may be eligible for CDBG funding pursuant to typical eligibility factors and provided funding remains under the \$1,400,000 limit.

Street improvements will be eligible for VCDBG assistance where:

- Specific street sections are targeted for improvement through a client-based needs assessment;
- The targeted sections are not built to VDOT or community standards and are not part of a current public maintenance system;
- All higher priority community needs will be addressed using VCDBG or other funding; and,
- The applicant locality can provide documentation that no other funding is available to address these improvements.

All activities targeted for VCDBG assistance in Comprehensive projects must be designed in accordance with the policies established in this Program Design for such activities. Where justified and feasible, Comprehensive projects may include Economic Development and Community Services Facility activities. As described under **PROJECT ENHANCEMENTS** on page IV-84, additional VCDBG funding may be available for additional project activities.

Economic Development

The primary purposes for providing VCDBG assistance to economic development activities are as follows:

- Create job and business opportunities for low- and moderate-income persons, particularly in the most economically-disadvantaged, VCDBG-eligible areas of the Commonwealth; and,
- Eliminate blighting conditions in deteriorated areas as a means of creating better environments for future economic activities.

VCDBG assistance is available for economic development activities under the following categories: **Job Creation and Retention, Site Redevelopment, Development Readiness, and Business District Revitalization.**

Most economic development projects will focus on one activity category. Some projects may focus on two or more. Projects targeting one category are eligible for up to \$700,000 in VCDBG assistance. Projects targeting two or more categories are eligible for up to \$1,000,000. However, no single activity within a multi-activity economic development project may represent more than \$700,000. Projects must, as applicable, abide by the **Industry Commitment, Appropriate Determination, VCDBG Investment, LMI Benefit, Intrastate Piracy, and Ineligible Activities** policies outlined on pages 55-56 of the Community Economic Development Fund section.

DHCD reserves the right to adjust requests for VCDBG economic development assistance and the terms of this assistance to accommodate only appropriate improvements. These adjustments, if applicable, would be made following competitive evaluation of all Community Improvement Grant proposals.

Job Creation and Retention

The **Job Creation and Retention** category under the Competitive Grants option targets projects with job creation resulting from commercial enterprises, sheltered workshops, or other non-basic industries, or projects with job retention by basic and non-basic industries. VCDBG assistance under **Job Creation and Retention** is available for on-site or off-site assistance to these enterprises. Applicants must prove a clear need for the off-site improvements and show justification for their scope and scale through Preliminary Engineering Reports and other analyses. **Competitive Grant proposals with on-site improvements are subject to underwriting (as assistance would be in the form of a loan to the applicant locality). The locality must complete an Appropriate Determination package and submit it to DHCD by February 20, 2004.** This package will be available from DHCD after January 5, 2004.

*The Community Economic Improvement Fund is a reservation of \$3,000,000 for projects involving assistance to basic industries that commit to private sector investment and job creation. The provisions of this Fund are detailed below on page **IV-__** of this document. Projects targeting job creation by basic industries will only be eligible for funding under the Community Economic Improvement Fund.*

The following two categories are designed to improve the economic environment of a locality by enabling the removal of slums and blighting conditions that threaten the health, safety, and welfare of the community as a whole and have an adverse impact on the value of real property which, in turn, adversely impacts community wealth. By

addressing these blighting conditions, localities can eliminate hazardous conditions and halt disinvestment.

There are two primary economic environment enhancement options under the VCDBG program: business district revitalization and site redevelopment.

Business District Revitalization

Under this option, an applicant may target the revitalization of a downtown or other commercial district. An applicant must clearly delineate the boundaries of its district and provide its rationale for this delineation. Boundaries are commonly delineated using both physical considerations, such as where land uses transition from commercial to residential and where a river or railroad run adjacent to an area, and social considerations, such as public perceptions of boundaries.

Because thorough preparation for BDR construction projects is necessary to ensure the desired community outcome of improved overall economic vitality, DHCD is offering a tiered grant process for this project type. It often takes a number of years of appropriate planning and development efforts for these projects to be successful and the following grant levels are designed to recognize and accommodate this.

Once a locality has determined it will move to Phase 2, Planning, it must declare its intent to take one of three tracks that will drive the type of Business District Revitalization construction grant that it will pursue. To summarize decision points required during Phase 2, a locality will need to state its intent for further business district revitalization efforts to take one of three tracks: **1) Pursue elimination of physical blight only; 2) Pursue elimination of physical and economic blight; 3) Pursue elimination of physical and economic blight and subsequently include construction / installation of business district amenities (e.g., beautification efforts such as decorative sidewalks, installation of benches, streetlamps, gateways, signage, overhead utility relocation, etc.) DHCD reserves the right to concur with the locality's choice of tracks prior to moving forward with funding offers.**

Once a locality has determined which of the three tracks it will pursue, it should work toward one of the following types of construction projects:

PHASE 3, Construction: A locality which is pursuing either Track 1 (elimination of physical blight only) or Track 2 (elimination of both physical and economic blight) may apply for a Community Improvement Business District Revitalization Construction grant (during the Spring competitive round) of up to \$700,000 to carry out the final design and construction / implementation of the activities resulting from Planning Phases 1 and 2. (This would NOT include business district amenities.) A Phase 3 construction contract would be a 2-year contract.

Phase 3, Construction: If a Business District Revitalization project will include downtown housing elements, the locality may request up to \$1 million in total funding, with the concurrence of DHCD.

PHASE 4, Construction: If a locality is pursuing Track 3 (elimination of slums and blight **and** business district amenities) and at the end of Phase 2 Planning, performance has been satisfactory, at the invitation of DHCD the locality may apply for up to \$1,000,000 in a Community Improvement Business District Revitalization construction grant (during the Spring competitive round) to carry out the final design and **all** implementation, installation, and construction of the activities resulting from Planning Phases 1 and 2. Funding for the activities included as business district amenities would be released on a performance basis once the physical and economic blighting elimination activities have been underway and moving toward completion. DHCD reserves the right to offer a Phase 4 contract as a multi-year contract. Offers of funding in the out years would be based on satisfactory performance.

PHASE 5, and beyond: Maintenance of revitalization efforts through business development assistance, marketing, infrastructure maintenance and improvements, continuance of general Main Street approach – Unfunded.

Applicants must identify all elements of physical and economic blight within the defined business district:

Physical Blight

The deteriorated conditions or states of disrepair of district infrastructure, buildings, and other physical elements which detracts from the overall appearance and identity of the district and, in turn, depress property values and the ability to market and attract investment.

Economic blight

The existence of vacant, disinvested, or underutilized buildings and parcels which represent unrealized commercial potential and project a negative image that harms efforts to attract new investment.

Applicants must address all blighting conditions using VCDBG funding and other resources pursuant to the track the locality has chosen. VCDBG funding targeted for real property acquisition and demolition or transformation must be linked to the designation of a Redevelopment or Conservation area under Virginia law. Building demolition should be programmed only as a last resort. Efforts should be made to minimize the displacement of residents and businesses.

All revitalization activities must include significant participation by district stakeholders, including property owners, business owners, local government officials, and concerned citizens. This participation should follow a modified Main Street

approach to business district revitalization. Potential applicants should contact the Department for additional information on this approach. This participation should, in part, lead to the development of a Revitalization Plan.

VCDBG funding may be targeted for implementation of other elements of a Revitalization Plan, including providing support for a business district organization, for marketing efforts to secure private investments, and for minimal cosmetic improvements to non-blighted elements. Entrepreneurship development activities are eligible as an addition to Business District Revitalization projects.

Site Redevelopment

This project category option targets sites which have been rendered unmarketable or unusable by previous uses and which have conditions having an impact beyond the boundaries of the site. VCDBG assistance may be utilized to correct identified conditions, provided they are justified as blight in accordance with earlier guidance.

Applicants must detail the conditions and demonstrate local consensus that the conditions, real or perceived, exist and that addressing these conditions is a local priority. Treatment of these conditions must result in increased potential for investment on this site and surrounding this site.

Activities may include:

- modification to or demolition of structures existing on these sites;
- be targeted to more than one site under a single project if it can be demonstrated that the accumulation of these sites has a single identity and/or each individual site has conditions which impact beyond its boundaries.

As with business district revitalization, site conditions and corrections for these conditions should be determined through stakeholder participation. Eligible activities beyond elimination of blighting conditions may include:

- real property acquisition ;
- future use planning

Development Readiness

This category allows for the completion of improvements that will result in the future creation of businesses and job opportunities providing primary benefit to low- and moderate-income persons. The focus of this category is on removing barriers to economic investment, particularly in areas of distress. Two such barriers are as follows:

- The existence of previously used sites and structures for which reuse for economically beneficial activities is not cost effective in comparison to development or construction on a new site.
- The lack of building space to accommodate business location or expansion and the prohibitive cost of constructing or adaptively reusing space, especially for small businesses.

This category seeks to address these barriers directly by making resources available for site redevelopment and for commercial building development. In instances where the proposed site or building is publicly owned, eligible activities include:

- Acquisition,
- Site preparation,
- On-site and incidental off-site infrastructure,
- Architectural and engineering costs,
- Building rehabilitation or construction, and
- Administration.

All VCDBG funding spent on these projects, except administrative costs, must be recovered upon sale or long-term lease of the site or building to a private sector entity which will create the required jobs. Full recovery of the funds must occur within two years of the completion of construction activities for Competitive localities and within three years for Transitional and Distressed localities.

Failure to secure a private sector entity to purchase or lease the improvements within the required time period will result in the administrative **and** construction costs being repaid by the locality. Recovered funds will be regarded as disallowed costs and will be subject to the Program Income policy outlined on page IV-83.

The availability and amount of VCDBG funding will depend upon the number of jobs projected to be created. In Competitive localities, at least 50 full-time jobs must be created and VCDBG participation will, in combination with other public funds, be limited to \$10,000 per job. In Transitional localities, at least 20 full-time jobs must be created and VCDBG participation will be limited to \$10,000 per job. In Distressed localities, at least 10 full-time jobs must be created and VCDBG participation will be limited to \$10,000 per job, except where the local economy is diversified wherein VCDBG participation will be limited to \$25,000 per job.

Only VCDBG-eligible localities may secure funding for development readiness activities. These localities may implement these activities directly using available funding or may lend these funds to a local or regional non-profit economic development entity that will implement the activities. Such an entity must have the capacity to borrow and administer Federal funds for economic development purposes.

In all such efforts, there must be direct links to an entity with the capability and willingness to administer a formal marketing program. Requests for VCDBG funding should be accompanied by a comprehensive marketing strategy for growing and/or attracting businesses and creating employment, primarily through basic industries. The strategy must identify one or more sectors or industries at which marketing efforts will be aimed. The VCDBG assisted site or building should have a prominent position in the strategy. The strategy must be supported by a marketing program and

an organization that is financially and technically capable of conducting the marketing.

Applicants for development readiness assistance must demonstrate that public benefit will result from the VCDBG investment and that there is a clear relationship between the proposed site or building improvements and existing economic development strategies.

Only under the Development Readiness category are somewhat speculative physical improvements permitted since these improvements are treated as loans to the locality and must be secured by a Letter of Credit issued by the locality. Physical improvements under all other economic development categories must be consistent in scope and scale with the underlying needs.

Housing

Housing activities are eligible for VCDBG assistance to improve the living conditions of low- and moderate-income (LMI) persons. VCDBG funding may be used to rehabilitate LMI-occupied housing units or in support of the development of new housing units which will be occupied by LMI persons.

There are two categories of assistance under the housing project type:

- Housing Rehabilitation
- Housing Production Assistance

Housing Rehabilitation

VCDBG assistance is provided to improve LMI-occupied housing units to DHCD Housing Quality Standards. Assistance is made available under Comprehensive Community Development projects, to units lacking indoor plumbing in Community Facilities projects, and as a single activity Housing project.

Housing projects targeting housing rehabilitation activities:

- are eligible for up to \$1,000,000 in VCDBG assistance.
- must target housing rehabilitation needs within a single, well-defined project area.

As rehabilitation activities will not begin simultaneously on all eligible housing units, DHCD reserves the right to fund such projects under more than one performance-based contract and from more than one year's CDBG allocation. DHCD reserves the right to cancel additional contracts due to non-performance on initial contracts.

Crucial non-housing activities or non-construction housing support activities that will clearly complement the housing improvements taking place in the project area and will meet a national objective **may be included** in a housing rehabilitation project. VCDBG participation in these activities **shall not exceed 15 percent** of the total amount requested. **Up to 10 percent** of the total housing rehabilitation activity

budget may be used for Rehabilitation Specialist services such as inspections, specifications, and bidding.

Rehabilitation assistance is available for both owner-occupied and investor-owned properties.

- **Owner-occupants** must incur a monthly financial obligation following receipt of VCDBG rehabilitation assistance which is based on the monthly amortization of rehabilitation costs over a 10 year period at 0 percent interest (less the actual costs of lead-based paint abatement and accessibility improvements). Owner-occupant monthly payments must be determined by ability-to-pay calculations which take into consideration income, expenses, and other household considerations.

- **The ability-to-pay calculation** will determine the amount the household could afford monthly towards repayment of the VCDBG rehabilitation assistance received. The difference between the total monthly amortization amount and the amount paid by the homeowner must be forgiven. This forgiveness must occur on a monthly basis, not in one lump sum write-off.

- **Ability-to-pay calculations** will be based on 25 percent of household income. If any ability-to-pay is demonstrated, the corresponding amount must be collected.

- **Ability-to-pay calculations** must also be made for the tenant households of investor-owned properties. These calculations permit evaluation of rent affordability. Affordable rent is defined as

a cost of occupancy that, including tenant-paid utilities, does not exceed 35 percent of total household income. If a project includes assistance from other programs which require a more stringent definition of rent affordability, this more stringent standard must be applied.

- **Investor-owner** participation in rehabilitation must include execution of a legally-recorded commitment to provide the improved housing units to LMI households for no less than 10 years at affordable rents. Investor-owner financial participation to offset the cost of improvements can reduce the number of years of required LMI benefit at a rate of one year per 10 percent of owner funding provided, up to a maximum of five years and 50 percent. Rent levels shall not be increased between the Community Improvement Grant submission date and the date of announcement of CIG awards. Investor-owners may not increase rents beyond actual direct cost increases, such as taxes and insurance, for at least five years, or for the term of the loan, if longer. The rent amount must be clearly established in the rehabilitation contract and shall remain at the same level for all subsequent tenants for the balance of loan term.

No **vacant unit** shall be rehabilitated with VCDBG funding unless the house was rented for at least six months of the preceding year, the unit was purchased by an LMI household, or the unit is owned by a locality, housing authority, or non-profit and will be sold to or lease-purchased by an LMI household.

Applicants may utilize up to \$25,000 of VCDBG funding to rehabilitate eligible housing units, not including mobile homes, to DHCD Housing Quality Standards and up to \$35,000 to substantially reconstruct housing units determined to be unsuitable for rehabilitation. Manufactured home rehabilitation is limited to \$10,000. In addition to these base costs, applicants may utilize up to \$1,000 per household for temporary relocation costs AND, with DHCD approval, further exceed these base limits by up to \$20,000 for the following exceptions:

- Installation of a well and/or septic systems or water and/or sewer connections;
- Provision of ramps and other accessibility features;
- Provision of one or more additional bedrooms to relieve an overcrowded situation in which more than two bedrooms are necessary or other changes to a unit's footprint;
- Actual laboratory costs for evaluation of lead dust tests; and,
- Construction of a bathroom

Under certain circumstances, DHCD will allow a "base cost" of up to \$30,000 for a single rehabilitation. These circumstances are if either: 1) the locality or its agent tests for the presence of lead-based paint, as outlined in lead related regulations, and all tested surfaces in a unit reveal a lead content below the critical regulatory thresholds; or 2) the locality has at least three licensed lead abatement contractors who are qualified to bid on the job in question; or 3) if the unit was constructed after 1978.

Demolition costs, specifically those required for substantial reconstruction activities, are eligible as a separate cost and need not be considered under the base or exception cost limits.

Housing Production Assistance

VCDBG assistance is available in support of the development of new single- and multi-family housing units targeted for low- and moderate-income persons. VCDBG funding is applicable to most project costs, including final design and construction costs, in projects which will adaptively reuse existing structures for housing. These projects are eligible for up to \$700,000 in VCDBG assistance.

In new construction projects, VCDBG assistance is limited to the design and construction of site improvements. Funding for new construction must generally be obtained from local or other resources. CDBG funding cannot be used for the construction of new housing, except as provided under the last resort housing provisions of 24 CFR Part 42 or as authorized under Section 17 of the United States

Housing Act of 1974. CDBG funding may be used for new housing construction costs where a neighborhood-based non-profit has primary responsibility for the development of the new housing.

All housing production projects must demonstrate a clear local need for additional housing units, provide evidence of significant local demand for the additional units, and target the development of housing units of a quality and quantity that will meet local needs and demands. Project evaluation will reward those projects that result in the greatest number of quality units at the lowest cost per unit.

Projects involving housing rehabilitation and/or housing production assistance may secure additional funding for additional needed project activities as described in **Project Enhancements** on page IV-84.

Community Facilities

Community facilities include water services, wastewater services, drainage improvements, and street improvements. VCDBG assistance under this option is generally targeted to projects involving water and wastewater improvements, particularly those involving new services to low- and moderate-income persons. Community Facility projects are eligible for up to \$1,000,000 of VCDBG funding.

An applicant undertaking a water and sewer project is required to address the indoor plumbing needs of project area residents. Benefit to a particular household will not be accepted unless the unit currently has or will be provided with indoor plumbing facilities. Housing units receiving indoor plumbing facilities must also meet DHCD Housing Quality Standards. VCDBG funding may be used to improve these units to standard condition. VCDBG participation in indoor plumbing or related housing activities shall not exceed 15 percent of the total amount requested.

Applicants including water and/or sewer service activities in the design of a project, regardless of the project type, must meet the following requirements:

- Services must be accessible to any LMI household which resides on property adjacent to or near project activities, provided that the estimated cost of completing the physical connection to the housing unit is less than or equal to \$2,500.
- Water meters are required for each customer that connects to the CDBG supported utility line (mobile home park owners are considered a single customer);
- The CDBG investment per utility connection may not exceed an average of \$10,000.

Low- and moderate-income persons cannot be charged an access fee for facilities developed using CDBG funding and neither are these fees CDBG-eligible expenses. The actual physical costs of connections will be eligible for VCDBG funding. To the

extent feasible, public water service proposals must include a project design that accommodates appropriate fire protection measures in the project area.

The reasonableness of user charges will be considered in evaluating any revenue-producing project, particularly water and sewer projects. DHCD reserves the rights to reduce proportionally grant requests from applicants where utility rates charged by an entity are below the state average.

For projects which extend utility lines from one jurisdiction to another, utility rates must be the same throughout the CDBG project area unless it can be documented that the locality which owns or is served by the CDBG-supported utility line is subsidizing water rates with its general fund. In such cases a disparity in rates may exist between the involved localities.

CDBG funds will not be invested in systems that can or will provide redundancy to a customer base that would be more efficiently served by another entity. Instead, it is expected that jurisdictions will cooperate to identify the best possible system and entity for providing service to a specified customer base.

Project needs in community facility projects will best be determined through surveys of project area residents and through gathering of documentation from regulatory and other agencies. The demand for services must be established through obtaining signed user agreements from the proposed beneficiaries or documenting a local mandatory hook-up policy and its history of enforcement. Prior to submitting a proposal, a locality should obtain user agreements from at least 90 percent of the proposed low- and moderate-income beneficiaries.

Project activities are established through completion of a full Preliminary Engineering Report (PER). At least two copies of the PER must accompany each community facility proposal. If Virginia Department of Health (VDH) approval is required for a project's plans and specifications, the project PER must be submitted to VDH prior to submission of the project proposal to DHCD.

In projects involving the provision of water, sewer, or other community facility services to privately-owned, multi-tenant properties as a contributing factor towards meeting the required LMI benefit, VCDBG assistance will be eligible for expenditure on those features of the project which provide substantial benefit to current LMI tenants. DHCD will safeguard the provision of benefits to current LMI tenants as follows:

VCDBG funding will be provided to match current LMI needs.

Property owners will be prohibited from creating additional tenant spaces that would dilute a project's LMI benefit. Assistance may be prorated to oversized service or distribution lines. Participation in pump stations, storage tanks, or

other features will also be dependent upon the level of LMI benefit in the project.

Savings produced by the VCDBG investment must translate to direct LMI benefit.

Generally, each LMI unit receiving services must be individually metered with billing being a responsibility of a local public agency. No private property owners may charge LMI tenants a connection fee or a surcharge on service usage.

Community Service Facilities

VCDBG assistance is available up to \$700,000 for Community Service Facilities which are physical facilities targeting the provision of important services to low- and moderate-income persons and the greater community. Such facilities include day care facilities, facilities for protected populations such as the elderly and disabled, community centers, health clinics, libraries, schools, hospitals, and skill-building facilities for youth and the unemployed.

All Community Service Facility proposals must demonstrate that facility development is a clear local community development priority. In doing so, applicants must describe other community development priorities and their positions relative to facility development.

Applicants for Community Service Facility projects must clearly demonstrate the local need for the services to be provided. The most reliable information on these needs will result from surveys of potential users and existing service providers. Census information and other statistical information, although useful, provide less reliable justification for the need for a facility. The user surveys should, at a minimum, confirm potential user LMI status and the need for and interest in the services proposed for the facility. To confirm the need for many types of services, surveys of individual potential users are a better indicator of need than surveys of households. Surveys of existing service providers will permit, at a minimum, identification of gaps between service need and service availability.

Applicants must also provide documentation of the demand for services. For some types of services, strong preferences obtained through surveying may suffice. For other services, demand may best be represented by the actions of individuals, beyond survey participation, to receive a service, such as the completion of an application or other intake documentation.

Following determination of need and demand, applicants must target the development of a facility to accommodate the new or expanded services. For facilities which will clearly provide needed services to low- and moderate-income persons, applicants may seek to maximize VCDBG participation in the development of the facility. For facilities which will provide of a variety of services to LMI and non-

LMI persons, VCDBG participation should be sought in proportion to the level of services being targeted primarily towards LMI persons.

In addition to the factors outlined above, the evaluation of Community Service Facility projects will include an assessment of the directness of the benefits to be provided to LMI persons. This assessment will be guided by the following questions:

- *Will the services be available exclusively to LMI persons or predominantly to LMI persons?*
- *Will the services provide palpable, measurable changes in the lives of the participants?*
- *Will the services have any impact on LMI persons becoming non-LMI persons?*

Proposal Evaluation Criteria

Because requests for VCDBG Community Improvement Grant assistance greatly exceed the amount of funding available, funding distribution is determined through competitive evaluation of all proposals received. Proposals will be evaluated based on these criteria:

Composite Fiscal Stress

The relative fiscal stress of the local governments submitting proposals is derived from the most recent Composite Fiscal Stress Index Scores table generated by the Virginia Commission on Local Government.

Regional Priorities

A proposal's relationship to the project priorities annually established by each Planning District Commission will be evaluated for this item.

Project Needs and Outcomes

This item considers the needs the proposed project will address, evaluates the relationship of project activities to underlying needs, and assesses the likelihood these activities will both meet these needs and have a measurable long-term impact on the community.

Costs and Commitment

This item considers whether project costs are reasonable and supportable and the level of financial participation in project activities offered by local and other non-CDBG resources.

Meeting a National Objective

This item considers the extent to which a project will benefit low- and moderate-income persons or result in the elimination of slums and blighting conditions.

These criteria are further outlined in the Competitive Grants Request for Proposal package. DHCD reserves the right to modify the evaluation criteria.

COMMUNITY DEVELOPMENT INNOVATION FUND GRANTS

The Community Development Innovation Fund provides resources totaling \$2,000,000 for implementation of new, innovative, and/or timely community development projects. This Fund has three components: the Local Innovation Program, the Self-Help Virginia Program, and the Community Development Venture Capital Fund.

Local Innovation Program

VCDBG funding totaling \$500,000 will be reserved for innovative, small-scale pilot projects that will include only CDBG-eligible activities, meet a CDBG national objective, and be designed in accordance with the CDBG Citizen Participation Plan. Examples of types of Innovation Program funding are:

- Individual Development Account programs;
- Projects which support local or regional welfare-to-work initiatives;
- Entrepreneurship Development
- Heritage Tourism projects
- Telecommunications projects

Specific guidance on some of these project categories follows.

Entrepreneurship Development

VCDBG assistance will be targeted for those projects which cover gaps in one or more of the following five elements:

Access to Capital and Financial Assistance

Examples:

- ❖ Loan funding (such as offered in **microenterprise assistance programs**), equity funding, or working capital for business start-up or expansion; or,
- ❖ Development of peer lending pools, individual development accounts (particularly those targeting business creation), or other innovative business financing mechanisms.

Technical and Managerial Assistance

Examples:

- ❖ Physical or operational assistance to a small business incubator which provides a broad array of entrepreneurial assistance services;
- ❖ Establishment of business mentoring programs;
- ❖ Market feasibility and business planning assistance; or,
- ❖ Other forms of business management assistance.

Technology Transfer

Example:

- ❖ Product development assistance resulting in the creation of new businesses and/or jobs.

Entrepreneurial Education and Training

Examples:

- ❖ Training and workforce development in declining or fledgling industries or businesses; or,
- ❖ Other entrepreneurial education and training efforts resulting in the creation of new businesses and/or jobs.

Entrepreneurial Networks

Examples:

- ❖ Development of entrepreneurial assistance efforts targeting business creation or expansion in specific business sectors with tangible involvement of affected entrepreneurs;
- ❖ Development of peer-to-peer relationships among entrepreneurs in similar or compatible businesses or other business to business linkages; or,

VCDBG assistance will be targeted to those entrepreneurship development efforts that have a comprehensive focus. Applicants must:

- Show consideration of all facets of assistance to entrepreneurs;
- Demonstrate that VCDBG resources will be applied to those assistance efforts which currently do not exist or which are inadequate towards meeting the demand for such assistance

VCDBG assistance will not be provided to establish duplicate efforts to serve entrepreneurs or to create economies of scale among existing efforts which will not result in drastic increases in entrepreneur service levels. Applicants must provide evidence that other options for funding specific entrepreneurship development efforts either do not exist or have been exhausted by the applicant prior to requesting VCDBG assistance.

All Entrepreneurship projects must demonstrate that they will meet a National Objective and produce an outcome that can be documented in terms of specific numbers of business created, specific numbers of jobs created, and specific numbers persons employed.

Up to \$100,000 is available per project. Proposals that meet these minimum thresholds will be accepted on an open basis from January 5, 2004 through September 30, 2004.

Telecommunications Projects

Up to \$100,000 per project is available for telecommunications efforts which may include implementation (e.g., installation of a fiber network) or system development and support (e.g., community business training and education). All projects must demonstrate that they meet a National Objective and demonstrate a direct relationship between intended project efforts and measurable, tangible improvements to the health of the community being served.

- All projects funded must first submit a regional telecommunications plan for approval to DHCD. This plan must:
 - ◆ Assess current broadband availability and usage
 - ◆ Address demand aggregation and future use
 - ◆ Address the relationship to regional planning and telecommunications networks
 - ◆ Address community development applications and CDBG National Objective
- Only implementation projects which target “last mile” installation of broadband applications will be considered for funding, i.e., no backbone systems will be installed with CDBG funds.

Applications for telecommunications projects may combine planning and system development / technical support or planning and implementation.

Local Innovation Program projects will be evaluated on eligibility (meeting National Objective) and threshold criteria of the program. Projects must clearly address the following factors:

- Performance targets and project outcomes
- Nature of the innovation
- Need for CDBG investment
- Capacity to carry out the project
- Sustainability / Replicability of the project

Evaluation criteria are described more fully in the Local Innovation Program Request for Proposals.

Localities considering applying for Local Innovation Funds should contact DHCD for further project development guidance.

If Local Innovation funding remains unobligated as of September 30, 2004, this funding will be made available to Self Help projects, Planning Grant projects, Urgent

Need projects, the next highest ranking 2004 Competitive Grant project, Administrative Bonuses, and projects with Letters of Intent.

Self-Help Virginia

Self-Help Virginia provides funding in support of infrastructure projects, specifically water and sewer projects, wherein community residents and stakeholders substantially participate in the construction activities. VCDBG funding totaling \$1,000,000 will be reserved for Self-Help projects in 2004. Funding will be available on an open basis between January 5, 2004 and September 30, 2004. VCDBG participation is limited to \$10,000 per household served.

To be eligible for participation in Self-Help Virginia, projects must possess the following characteristics:

- There must be a neighborhood or community consensus about the existence of the problem to be addressed;
- There must be a demonstration of community capacity to manage the self-help project with sufficient energy and vision to see the project through to completion; and,
- There must be at least a 40 percent savings from the proposed Self-Help construction compared to conventional construction.

The goal of these projects is to tap neighborhood talent, manpower, and creativity to provide water and sewer services in areas where conventional construction costs make such provisions prohibitive. The most common examples of specific self-help activities are neighborhood residents acting as project managers, installing water and sewer lines, and operating leased or donated equipment. Resident contributions depend on resident abilities. Construction must meet all applicable codes and regulations.

These projects are exempt from the Preliminary Engineering Report standards of other projects. These projects do require a cost estimate revealing the 40 percent savings required, a clear description of the proposed improvements, and a map of the service area with the proposed layout of lines and other improvements.

All proposals must include evidence that at least one well-attended community meeting has occurred and that the project is supported by the community, that at least 51 percent of the proposed beneficiaries are low- and moderate-income per survey results, and that residents are willing to work on the project and have some sense of the skills available in the community. Also required are signed user agreements showing the willingness of residents to connect to water and/or sewer lines as part of the project.

Community Development Venture Capital Fund

A total of \$500,000 is reserved for capital investments by DHCD-certified community development venture capital funds in eligible VCDBG localities. Community development venture capital funds make investments to gain financial return and to create wealth and job opportunities in communities with economic needs. Fund operators must demonstrate sufficient administrative capacity for making and managing critical long-term equity investments in private businesses in eligible localities. Operators must also demonstrate the availability of adequate financial resources to cover the administrative costs associated with fund management and to make strategic equity or combined debt/equity investments in other business opportunities for which VCDBG funding may not be targeted. Operators should further demonstrate that the sources of funding for these other equity investments were largely non-governmental.

VCDBG funding will be made available on a negotiated basis between January 5, 2004 and September 30, 2004. The terms of the VCDBG assistance will be addressed as part of these negotiations. Fund operators should contact DHCD directly to discuss the availability of VCDBG funding. VCDBG funding for community development venture fund program operation costs is available under Entrepreneurship Development through Local Innovation Fund, but is not eligible under this Community Development Venture Capital option.

Funding awards under the Community Development Venture Capital option will generally be limited to \$100,000 per business equity or debt/equity investment. An eligible VCDBG locality must request this funding on behalf of a community development venture capital fund. Generally, this locality will be the one in which the business to receive the equity investment will be located.

The targeted business must commit to create jobs in order for the investment to be eligible for VCDBG funding. At least 51 percent of the jobs created must be made available to or held by low- and moderate-income persons.

Localities wishing to pursue using CDBG funds in a venture or equity fund must contact DHCD prior to proceeding.

Funding which has not been committed as of September 30, 2004 may be committed to Self Help projects, Planning Grant projects, Urgent Need projects, the next highest ranking 2004 Competitive Grant project, Administrative Bonuses, and projects with Letters of Intent.

CONSTRUCTION-READY WATER AND SEWER FUND

VCDBG funding totaling \$1,000,000 will be reserved for construction of community facility projects providing public water or sewer service to communities made up of at least 65% LMI households. Additional criteria are:

- At the time of application

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- Income surveys and user agreements one year old or less must document eligibility and community demand;
- All engineering work, up to and including necessary approvals of final design, must be complete;
- All necessary acquisitions must be complete;
- Public hearings and the Environmental Review Record must be complete, including all the publications and comment periods.
- No more than \$5,000 of CDBG funds per LMI household served will be made available with no single grant exceeding \$500,000.
- These funds are available for construction only.
- The pre-contract phase is limited to 30 days and will include required actions by the locality's governing body, bidding construction and selecting (but not executing a contract with) a contractor.
- The project must be able to be completed within one year, and
- The grantee is not eligible for the 10% administrative bonus for timely completion.

The intent of these projects is to assist localities that find themselves in an "except for" position, i.e., fully ready to provide service to an LMI community except for all or a portion of the construction funds. It is anticipated that these funds will be used in conjunction with other resources. Proposals that meet these thresholds will be accepted on an open basis from January 5, 2004 to September 30, 2004. The total amount made available is included in the locality total of active CDBG funds. These funds may not be used to supplement or leverage other CDBG funds.

Projects will be assessed based on the above-described threshold criteria. Further guidance is available in the Construction-Ready Water and Sewer Fund Request for Proposals package.

Funding which has not been committed as of September 30, 2004 may be committed to Self Help projects, Planning Grant projects, Urgent Need projects, the next highest ranking 2004 Competitive Grant project, Administrative Bonuses, and projects with Letters of Intent.

COMMUNITY ECONOMIC DEVELOPMENT FUND GRANTS

The Community Economic Development Fund (CED) is designed to support economic development activities, particularly those creating employment opportunities for low- and moderate-income persons, in VCDBG-eligible localities. In 2004, \$3,000,000 is available under the CED Fund. Up to \$700,000 will be available per project. **Projects assisting businesses which cannot commit to providing a post-probationary wage of at least 1.5 times the minimum wage to 90 % of all employees hired as a result of the CDBG investment may be eligible for VCDBG funding limited to 50 percent of project costs up to \$350,000.** Proposals will be received on an open basis from January 5, 2004 through September 30, 2004. Assistance is limited to projects involving employment creation by private, for-profit

basic industries. Assistance may include off-site improvements such as water lines, sewer lines, roads, and drainage. On-site assistance may be eligible in some projects, but these projects are subject to underwriting and the VCDBG assistance will be made available as a loan to the locality. This loan must be repaid.

Categories and Thresholds

The nature of the financial assistance available under the CED Fund varies depending on the economic strength of the applicant localities. VCDBG-eligible localities, excluding Towns, are placed in one of three categories: Distressed, Transitional, and Competitive. Towns that are fully contained within a county are in the same category as the surrounding county. Towns divided among two counties are in the same category as the county with the least economic strength. Localities were placed in a category based on the relative position of local statistics to statewide statistics for each of three economic factors. The factor titles, sources of factor data, and delineations within each factor are as follows:

Persons in Poverty

(County Estimates for People of All Ages in Poverty for Virginia: 1999; U.S. Census Bureau)

Distressed: 150% or greater than statewide figure (or 14.4% or higher)

Transitional: Greater than or equal to statewide figure of 9.6%

Competitive: Less than statewide figure of 9.6%

Median Adjusted Gross Income per Married Return

(Married Returns, 1999; Virginia Department of Taxation)

Distressed: 70% or less of statewide figure (or \$37,622 or less)

Transitional: Less than or equal to statewide figure of \$53,745

Competitive: Greater than statewide figure of \$53,745

Annualized Average Unemployment Rates

(Annualized Average Unemployment Rates for Virginia Localities, 2001; Virginia Employment Commission)

Distressed: 150% or greater than statewide figure (or 5.25% or higher)

Transitional: Greater than or equal to statewide figure of 3.5%

Competitive: Less than statewide figure of 3.5%

Localities received two points for each factor in which they met Distressed levels, one point for each factor at Transitional levels, and no points for each factor at Competitive levels.

Distressed

Distressed localities are those with scores of 5 or more points from the evaluation of economic factors.

Localities

Accomack County

Russell County

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Bland County
Brunswick County
Buchanan County
Carroll County
Charlotte County
Dickenson County
Grayson County
Halifax County
Henry County
Lee County
Lunenburg County
Mecklenburg County
Northampton County
Page County
Patrick County

Scott County
Smyth County
Sussex County
Tazewell County
Washington County
Westmoreland County
Wise County
Wythe County
City of Covington
City of Emporia
City of Galax
City of Martinsville
City of Norton
City of Williamsburg

Thresholds

The thresholds for VCDBG assistance in Distressed localities are as follows:

- The subject business must create at least 10 full-time positions
- The subject business must make a private investment of at least \$100,000
- The subject business must provide a post-probationary wage of at least 1.5 times the minimum wage for 90% of all employees and offer an employment benefits package including medical insurance to all employees

Assistance for Local Economic Diversification

If the assisted business is involved in the value-added manufacturing or re-manufacturing and reuse of indigenous raw materials, the provision of goods or services not previously available locally, and/or the provision of goods or services that are divergent from the local norm, the following conditions apply:

VCDBG assistance for off-site improvements is eligible for up to 100 percent of total project costs.

No local government financial participation is required in the project.

VCDBG loans for on-site improvements is available through a relaxed underwriting process and flexible terms.

VCDBG assistance is available at up to \$25,000 per job to be created.

Assistance for Other Businesses

If the assisted business will not be diversifying the local economy (see page 40), the following conditions apply:

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VCDBG assistance for off-site improvements is eligible for no more than 80 percent of the total project costs.

Local financial participation must total at least 20 percent of the VCDBG eligible costs.

VCDBG loans for on-site improvements are available through a relaxed underwriting process.

VCDBG assistance is available at up to \$10,000 per job to be created.

NOTE: Distribution centers do not generally meet the definition of diversification.

Transitional

Transitional localities are those with scores of 2 to 4 points from the evaluation of economic factors.

Localities

Alleghany County	Middlesex County
Amherst County	Montgomery County
Appomattox County	Nelson County
Bath County	Northumberland County
Bedford County	Nottoway County
Buckingham County	Orange County
Campbell County	Pittsylvania County
Charles City County	Prince Edward County
Craig County	Pulaski County
Cumberland County	Richmond County
Dinwiddie County	Rockbridge County
Essex County	Southampton County
Floyd County	Surry County
Franklin County	City of Bedford
Giles County	City of Buena Vista
Greensville County	City of Franklin
Highland County	City of Harrisonburg*
King and Queen County	City of Lexington
Lancaster County	City of Radford*
Louisa County	City of Staunton
Madison County	City of Waynesboro
	City of Winchester*

*Designated by HUD as a potential new CDBG entitlement city for 2004

Thresholds

The thresholds for VCDBG assistance in Transitional localities are as follows:

- The subject business must create at least 20 full-time positions
- The subject business must make a private investment of at least \$300,000
- The subject business must provide a post-probationary wage of at least 1.5 times the minimum wage for 90% of all employees and offer an employment benefits package including medical insurance to all employees

Assistance Parameters

For all businesses, the following conditions apply:

VCDBG assistance for off-site improvements is eligible for no more than 80 percent of the total project costs.

Local financial participation must total at least 20 percent of the VCDBG eligible costs.

VCDBG assistance is available at up to \$10,000 per job to be created.

If the assisted business meets the criteria cited under the **Distressed** section regarding diversification of the local economy, VCDBG loans for on-site improvements are available through a relaxed underwriting process.

If the assisted business does not meet these criteria, VCDBG loans for on-site improvements are available through a market underwriting process

Competitive

Competitive localities are those with scores of 1 or fewer points from the evaluation of economic factors.

Localities

Albemarle County
Amelia County
Augusta County
Botetourt County
Caroline County
Clarke County
Culpeper County
Fauquier County
Fluvanna County
Frederick County
Gloucester County

King George County
Mathews County
New Kent County
Powhatan County
Prince George County
Rappahannock County
Roanoke County
Rockingham County
Shenandoah County
Spotsylvania County

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Goochland County
Greene County
Hanover County
Isle of Wight County
James City County

Stafford County
Warren County
York County
City of Poquoson
City of Salem

Thresholds

The thresholds for VCDBG assistance in Competitive localities are as follows:

- The subject business must create at least 50 full-time positions
- The subject business must make a private investment of at least \$3,000,000
- The subject business must provide a post-probationary wage of at least 1.5 times the minimum wage for 90% of all employees and offer an employment benefits package including medical insurance to all employees

Assistance Parameters

For all businesses, the following conditions apply:

VCDBG assistance for off-site improvements is eligible for no more than 50 percent of the total project costs.

Local financial participation must total at least 50 percent of the VCDBG eligible costs.

Non-local public funding investment must be no more \$10,000 per job to be created. Loans to local governments from other public sources with specific repayment requirements are regarded as local funds.

No VCDBG assistance is available for on-site improvements.

Industry Commitment

All CED proposals must include an industry commitment letter. Such a letter serves as documentation of the industrial commitment that provides the basis for project eligibility. A commitment letter must include the following:

- The need for the improvements which the locality will implement using VCDBG funding;
- The commitment of the business to locating or expanding in the locality;
- The type and amount of the private investments;
- The number of jobs (LMI and total) to be created or retained by category;
- The timing of the investments and hiring;
- A summary of the wages and benefits to be provided;
- The plans for job training, if applicable; and,
- The plans for use of a single point of contact for screening applicants, if applicable, such as the Virginia Employment Commission;

- The comprehension and acceptance that a formal industry agreement must be signed to secure the commitments.
- For Community Economic Development Fund projects, these industry commitments must provide details on the accompanying benefits package.

Where appropriate, the industry should attach documentation to its letter supporting the figures detailed in the letter.

VCDBG Investment

VCDBG funding will only pay for improvements of a scope and scale consistent with identified needs. Improvements which will benefit future development are not eligible for VCDBG funding.

Sanctions

The Industry Agreement which will be executed between an assisted business and a locality will detail sanctions which will be imposed if the assisted business fails to achieve hiring, investment, or wage/benefit commitments. Failure to achieve hiring and investment commitments may result in all VCDBG funding being recaptured by DHCD from the locality. Failure to achieve wage/benefit commitments may result in VCDBG participation being limited to 50 percent of project costs up to \$350,000.

LMI Benefit

VCDBG eligibility in economic development projects is established by creating job opportunities for low- and moderate-income persons. There are two options for ensuring LMI benefit results from the job creation process. The first option is to employ LMI persons in at least 51 percent of the available positions. Under this option, the locality or assisted business will retain documentation of the income status of employees. The second option is to establish procedures to ensure that LMI persons will receive first consideration for employment. Under this option, the job qualifications must be limited to possession of a high school diploma or its equivalent. No special training should be required. A third party single point of contact for application screening, such as the Virginia Employment Commission, is typically utilized. This contact will maintain all LMI documentation. The employer must hire only those persons screened by this third party.

Job creation must occur within two years of the date of completion of the private investment. Additionally, the documentation of job creation, including jobs to LMI persons, may not conclude until the completion of the CDBG-funded construction activity or the achievement of the total job creation and 51% LMI benefit, as agreed to in the executed Industry Agreement, whichever is later. Private Investment must occur within 2 years of the commencement date of the CDBG contact with the locality. The job creation requirement will be incorporated into a formal agreement. A business which fails to meet the job requirements will be subject to a non-performance penalty as outlined in this agreement.

Piracy

VCDBG assistance will not assist a Virginia firm to relocate from one locality to another locality unless the firm provides substantial evidence that it cannot continue to do business in the existing location due to inadequate facilities, that the firm is significantly expanding beyond the capabilities of the existing location, that the move to another location results in a net gain of permanent jobs for Virginia, and that the impacted local governments are aware of the need for relocation and concur with it. VCDBG assistance will not assist a non-Virginia firm in relocating to Virginia if the relocation is likely to result in a significant loss of employment in the labor market from which the relocation occurs.

Ineligible Activities

The following activities are not eligible for VCDBG assistance:

- General promotion of the community as a whole;
- Assistance to professional sports teams;
- Assistance to privately-owned recreational facilities that serve a predominantly higher income clientele where the benefit to such clientele clearly outweighs employment or other benefits to low- and moderate-income persons;
- Acquisition of land for which no specific purpose has yet been identified;
- Additional assistance to a for-profit business while the business is the subject of unresolved findings of non-compliance from previous CDBG assistance;
- Assistance to facilitate the creation of gambling operations; and,
- Projects in which the cost to provide goods and services to LMI persons exceeds \$1,000 per LMI person.
- On-site assistance to prisons, colleges or state institutions.

On-Site Assistance

VCDBG funding is available for certain on-site improvements in support of a business creating jobs and completing private investment in an eligible locality. A locality seeking VCDBG funding for on-site assistance must coordinate completion of an Appropriate Determination package. To complete this package, a locality must obtain detailed information on the background, financial position, and local development plans of the business to be assisted. This package is submitted by DHCD to independent underwriters for review.

VCDBG on-site assistance is offered to localities in the form of a loan. The loan terms are established by the independent underwriters. A locality receiving VCDBG funding for on-site improvements must repay DHCD in accordance with the established terms. There are no circumstances under which DHCD will waive this repayment. The locality is responsible, in turn, to make the VCDBG assistance available as a loan to the assisted business and to make arrangements with the assisted business to make regular payments.

VCDBG funding cannot be used to develop infrastructure in a privately-owned industrial park.

Appropriate Determination

On-site improvements are subject to underwriting because VCDBG funds, which are public funds, must not be used to replace any form of financing that either could be or already has been secured at terms and conditions that make the project feasible. The underwriting is to determine if the use of VCDBG funds in a project is appropriate for the anticipated level of public benefits and includes a financial analysis of the business. An Appropriate Determination package is available from DHCD that outlines the type of information required from the business to complete underwriting. Applicants must prepare a response to this package and submit it to DHCD approximately one month before completion of a CED proposal.

Loan Guarantees

Localities interested in loan guarantees in support of economic development should contact DHCD for additional information.

Unobligated, Urgent Need Open Submission funds may, at any point during the Program Year, be used to provide additional funds for the Community Economic Development program.

URGENT NEED OPEN SUBMISSION GRANTS

VCDBG funding is available to eligible localities on an open submission basis to enable prompt response to existing serious and immediate threats to local health and safety. Projects are intended to primarily benefit low- and moderate- income persons. Up to \$700,000 of VCDBG funding is available per project. Urgent Need Open Submission (UNOS) proposals will be accepted between January 5, 2004 and October 31, 2004.

All UNOS proposals and activities must meet the following thresholds:

- The proposed project must alleviate existing conditions which pose a serious and immediate threat to the health and welfare of the community; and,
- The conditions developed or became urgent within 18 months of the date the proposal is submitted; and,
- The applicant locality is unable to finance the project on its own, no other funding is available to address the problem, and the VCDBG funding will be directly targeted towards alleviation of the threatening conditions; and,
- The threat must be supported by either:

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A current declaration of an emergency by the Governor of Virginia relative to a flood, a hurricane, a tornado, an earthquake, or other disaster event, not including droughts, snow, or ice conditions.

OR

A current declaration of an immediate and severe health threat by the State Commissioner of Health relative to the complete failure of a public water or sewer system or incident of similar significance.

VCDBG assistance will generally be made available to projects which consist of activities in support of long-term recovery. VCDBG assistance will generally not be made available to projects with public facility failures resulting from neglected maintenance by a locality.

Localities interested in UNOS assistance should contact DHCD to discuss project eligibility.

Unobligated Urgent Need Open Submission funds may, at any point during the Program Year, be utilized to provide additional funds for the Community Economic Development program.

H. PROGRAM MONITORING

The Department provides compliance monitoring through the Divisions responsible for administration of each program covered by the current Action Plan. The Consolidated Plan provides a general description of the monitoring tools and systems available during the life of the Plan. Although the Department may experience personnel and organization changes following adoption of the Plan, the basic compliance monitoring methods and procedures that will be used during the coming program year will continue to be followed.

CDBG

The Project Management Office of the Community Development Division will continue to carry out the primary monitoring and compliance assurance activities for CDBG. It relies on several management tools, technical assistance, reporting, and compliance reviews to assure that the program's regulatory requirements will be met.

The Community Improvement Grant Management Manual gives grantees the necessary procedures, verbatim texts of required documents, and examples illustrating proper implementing actions. DHCD will continue to provide many training workshops across the Commonwealth to supplement the Manual. By increasing grantees' knowledge and skills of project management, construction management, labor standards, fair housing, financial management, and housing rehabilitation, the Department expects to reduce errors and increase the prospects for the successful completion of projects. Various personnel within the Office have designated roles relating to compliance. The broadest responsibilities lie with the Associate Director and the Program Managers. Community representatives serve as first line contacts with grantees—providing direct technical assistance as needed and also project monitoring. Finally, the financial analyst assigned to the program assures fund accountability while providing technical assistance for financial management, audit control, and management.

DHCD uses Site visits and in-house consultations as the primary means to provide technical assistance. Site visits emphasizing informal assistance and guidance continue throughout the life of the project. Their timing and frequency generally reflect the progress and specific needs of the individual project. Grantees may receive additional assistance from staff in the Richmond and Abingdon offices at any time, though questions or concerns about an individual grant are normally referred initially to the community representative.

The Department uses progress reports and project close out reports to document the progress and completion of individual projects. Periodic status reports and annual budget reports for each project insure that DHCD and the grantee are fully aware of their current fiscal and programmatic status. Close out reports, which include

separate elements for finance, program income, project leveraging, construction, and final evaluations, document project closure.

Project compliance reviews typically occur when a project is approximately 85 percent drawn down. The agency's financial analyst conducts the initial financial compliance review. The financial compliance review resembles an audit in the scope of its coverage. Compliance reviews are formal as opposed to informal events and encompass the full range of requirements (e.g., citizen participation, environmental compliance, financial management, et al.) for which grantees may be responsible according to program requirements.

DHCD will document nonconformities, if any, in specific program areas, note concerns about areas that could lead to a finding of nonconformity if left uncorrected, and provide recommendations about areas where program management could be improved. The agency's goal is to minimize findings of nonconformity during the year by relying on the other compliance methods discussed above to identify and correct problems before a finding is necessary.

Housing Programs (ESG, HOME, HOPWA)

The Division of Housing will continue to administer the HOME, HOPWA, and ESG programs for this fiscal year. Similar techniques will be applied to performance monitoring and compliance review for each program. Overall, the Division employs ongoing program and project reviews and technical assistance to assure both the effectiveness and compliance of its housing programs. The Division has also increased the use of risk assessments to identify those program areas or projects where problems are most likely to be encountered. If necessary, available monitoring and compliance resources can be concentrated on projects or programs that exhibit greater potential for falling out of compliance. Because some multifamily rental and first-time homeowner programs require compliance over an extended period, DHCD has entered into formal arrangements with the Virginia Housing Development Authority (VHDA), the manager for loans in these program areas, to assure that they monitor longer term compliance.

Project review is usually conducted on a day-to-day basis through communications with project sponsors and subrecipients. This establishes the primary means for providing the technical assistance necessary to assure compliance. Monitoring visits will be conducted for the three programs being administered by the Division of Housing. The specific areas subject to review during a visit include administrative requirements relating to budgeting, the management plan, reporting, record keeping, etc., and programmatic requirements relating to the actual management of the project. The latter includes a review of contract documents, management responsibilities/structure of the responsible agent, and the records or reports for housing standards, environmental standards, construction reports, certificates of occupancy, and project close out documentation.

The responsible administrator for the Division will contact the sponsor, subrecipient, or grantee before the visit to establish the time, place, and circumstance of the visit. During the review, the administrator may provide assistance or advice relating to administrative or programmatic requirements. An exit interview will provide the local sponsor or grantee with a preliminary assessment.

More detailed information will be provided in a subsequent written communication. The letter may document *concerns* or *findings*. For concerns, the administrator will include recommendations for overcoming the particular circumstances. However, if there is a finding, the administrator will provide required corrective actions, following up through either a review of documentation or a site visit.

These site visits create opportunities to extend the Division's training activities to the sites of specific projects, while also assuring the overall integrity of the program through compliance review.

Strategic Planning

DHCD's ongoing strategic planning activities also provide a means for assuring that Department remains focused on the priorities identified in the Consolidated Plan as it develops its annual budget and legislative packages. The Department is currently completing a new round of strategic planning, which is intended to provide that all the Department's priorities—including those identified in the Consolidated Plan—are addressed and that opportunities for collaboration across organizational lines are identified. Work plans for the individual offices within DHCD's operating divisions provide the basis for carrying out activities essential to meeting these goals and objectives.

Attachment 1

Public Comment

The Department of Housing and Community Development received comments on the contents of the Draft Action Plan in several different formats, including formal written statements, telephone communications, and oral comments presented at the public hearing. The following material summarizes the comments received, the response of the Department, and any changes made to the Plan subsequent to the comment period.

The Federation of Appalachian Housing Enterprises, Inc. (FAHE) provided extensive written comments on various aspects of the Department's proposals for the use of HOME funding during the coming fiscal year. Part of the commentary focused on the fairness of the allocation of HOME funds among rural nonentitlement jurisdictions and the inclusion of entitlement jurisdictions as potentially eligible recipients of state-administered HOME funds. FAHE's position was that because the state receives HOME funds on the basis of a formula reflecting the population and needs of the "balance of state" [e.g., nonentitlement area], the allocation plan for should focus on the same geographic area. FAHE noted that some states restrict the use of "balance of state" funds to "balance of state" rural areas. In addition, FAHE amplified this view by noting that although the largest single allocation of HOME funds (Indoor Plumbing Rehabilitation or IPR) is restricted to rural areas, IPR funds do not reach households with other types of rehabilitation needs. FAHE therefore supported expanding the activities eligible to receive IPR funding to include other types of homeowner rehabilitation within the "balance of state" area. To address these issues, FAHE recommended the creation of a Rural HOME Program and the expansion of IPR

DHCD adopted the current policy to assure the expenditure of state-administered HOME funds in a timely and effective manner while giving a preference to applicants from non-entitlement jurisdictions lacking their own source of HOME money. Completely barring entitlement PJ applicants from eligibility for the state-administered program could exclude some projects effectively addressing high priority housing needs. Informal comments received from representatives of entitlement communities during workshops indicated their support for the current policy and the importance of state-administered HOME funds to their activities. Because HUD's HOME program requirements do not limit state-administered funds to non-entitlement areas, the current approach attempts to strike a balance among several competing needs.

The Department has not changed the funding allocated from HOME for IPR activities. Only cities and counties that are not both HOME and CDBG entitlements may participate in the Indoor Plumbing Rehabilitation (IPR) Program. The (IPR) Program provides forgivable loans with 0 percent interest to low- and moderate-income homeowners

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of substandard housing where indoor plumbing does not exist or where major indoor plumbing components are missing. The program also provides for the general rehabilitation of these units, for accessibility improvements to units occupied by persons with disabilities, or additional space where overcrowded conditions exist. The Department does not propose to change or amend this program design in its 2004 Plan. Indoor plumbing and related housing quality problems remain significant issues in many predominantly rural areas of the state. In part, the emphasis on addressing the indoor plumbing problem in Virginia reflects the policy direction of the Virginia General Assembly, which has given a high priority to this specific housing need as reflected in annual appropriations of nearly \$3 million. However, the Department will explore other options make HOME funding available specifically to non-entitlement areas with the general flexibility to be used for substantial rehabilitation of dilapidated housing units.

FAHE's comments also addressed the future direction of CHDO Project Proceeds. FAHE recommended that CHDO's in the nonentitlement areas be permitted to retain Proceeds after their initial use rather than require the return of repayments or excess funding to DHCD. The organization viewed the retention of these funds as "key to capacity building [because] they allow the CHDO to develop local resources which can be used for other housing activities."

The Department recognizes the importance of encouraging the long-term fiscal stability of CHDOs. The Department currently has arrangements with CHDOs who are conducting homeownership development to revolve CHDO proceeds at the local level into future projects. These proceeds come from the sale of the housing units, and the CHDO must identify their plan for revolving these funds at the time of application.

FAHE also provided several recommendations intended to prioritize rural housing supported by HOME funds. These suggested allowing Regional Loan Fund Administrators to revolve HOME funds as program income after demonstrating the capacity of administering HOME and HOME Program Income, increasing the HOME down payment/closing costs to 20% of the appraised value if needed for affordability for incomes at or below 60% AMI, for the "balance of state areas," and increasing the income level for eligible borrowers in "balance of state" areas to \leq 80% AMI for a HOME maximum of 10% of the appraised value plus \$2,000 for closing costs.

The ability of the Regional Loan Fund Administrator to revolve HOME funds has been restored in the 2004 HOME Action Plan for the upcoming round of funding.

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The Department acknowledges the concern that its policy of focusing on serving lower-income households (i.e. 60% of AMI and below) has presented some challenges for its partners. The Department firmly believes that there are currently existing programs and resources that allow our partners to focus on the low-income families and individuals in the 80% AMI range. In some cases, however, this income limit makes it difficult for the target population to access funds, especially for homeownership. That is why the Department has implemented agreements within certain regions, both high-cost and low-wage, to allow our regional partners to step outside of the established parameters to allow clients to access up to 10% more in HOME program subsidies than in other areas of the state. In low wage areas, including many of the rural regions of the state, households that meet the current income limits often have difficulty qualifying for a loan because their income is very low. Therefore, the Department has agreed to allow applicants in these regions to access up to 20% down payment and closing costs assistance, instead of the program limit of 10%, to help fill these gaps.

One individual resident in the Piedmont Planning District raised several issues in both oral and later written comments to the agency addressing the HOME program design and, in particular the lack of regional participation or awareness of the program within that area. The individual noted that the absence of a Regional Administrator for PDC 14 and the lack of a CHDO serving the area were preventing the residents of that portion of the state from gaining access to this source of affordable housing finance.

The specific Distribution Methodology within the HOME Program Design refers to the Affordable Housing Production and Preservation Program (AHPP) which is the state's multifamily financing program. Because of the large amount of both public and private resources available to assist in the development of affordable multifamily development (defined as 5 or more units), the state gives priority rural, non-entitlement communities. In some cases, designated high-cost areas, such as northern Virginia, are also given preference.

The distribution of HOME funds through the Single Family Regional Loan Fund is state-wide, and typically based on a formula allocation from previous year's production.

The Virginia Housing Development Authority (VHDA) may be able to provide you with a break down of the SFRLF and HOME fund activity data for that region upon an official request.

The same commentator also inquired about how the Department prepares mailing lists and where notices of hearings and workshop had been published or otherwise provided to the public.

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A written or verbal request to be included in Department-wide mailings is all that is required. This is the same mailing list that DHCD uses to distribute notices of hearing, funding, conferences, etc.

Agency notifications concerning public hearings are usually published in the following newspapers.

*Norfolk Virginian-Pilot
Potomac News
Richmond Times-Dispatch
Roanoke Times & World News
Bristol Herald-Courier*

Notification of the availability of the plans will be made available through DHCD's mailing list of citizens, organizations, and service providers. In addition, copies of the proposed plan will be made available to each Planning District Commission. A reasonable number of copies will be made available to citizens and groups that request them. In addition, the text of the Plan will be made available in a PDF format on the agency's web site: www.dhcd.state.va.us.

Flyers advising constituents of the public input sessions were mailed to the Department's mailing list. Public input sessions were held on the follow dates and times:

October 28, 2003 - SW Higher Ed Learning Center, Abingdon, VA (HOME only)

November 3, 2003 - DHCD Board Room, Richmond, VA (HOME only)

December 1, 2003 - N. VA Planning District Commission Office, Annandale, VA (HOME/ESG)

December 2, 2003 - Hampton Roads Planning District Commission Office, Chesapeake, VA (HOME/ESG)

April 1, 2004 – HOME Program Public Hearing, DHCD Board Room, Richmond, VA

The commentator also requested information about technical assistance contacts referred to in the Program Design.

This section refers to DHCD staff. DHCD's website publishes a listing of staff that are able to provide technical assistance for specific DHCD administered programs.

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The commentator sought clarification about the targeting of HOME funds to households with incomes below 60 percent of AMI even though there are other references to incomes at or below 80 percent of AMI.

According to the federal HOME regulations the incomes of households receiving HUD assistance must not exceed 80 percent of the area median income. Virginia's program has further restricted the use of HOME funds through the Single Family Regional Loan Fund to first-time homebuyer households who do not exceed 60 percent of the area median income. HOME income limits are published each year by HUD.

A final comment from this source sought information on how to address the lack of a Regional Administrator within Planning District 14.

The Virginia Housing Development Authority's mobile van currently serves as the Regional Administrator for the most of the Piedmont Planning District areas outlined in your letter. According to the information you provided, Amelia County falls in the Richmond service area, which is served by Housing Opportunities Made Equal, Inc. and the Richmond Local Initiatives Support Corp. Eligible applicants can be referred to VHDA's mobile van.

Comments received during the public hearing on the HOPWA and ESG components of the overall plan focused largely on administrative concerns. The impact of changing reporting requirements was a concern for many local administrators or potential program participants. Commentators urged more consistency from quarter to quarter and in reporting requirements and the importance of mutual communication among all parties that may be affected by the timing and formatting of reports. Other comments addressed the application process and suggested the importance of providing for additional information that addressed unique circumstances in individual applicant areas.

The Department will attempt to assure that its administrative procedures for the programs will minimize discontinuities and accommodate the circumstances and issues raised by program participants.

Attachment 2
2004 CERTIFICATIONS

CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the State certifies that:

Affirmatively Further Fair Housing –The State will affirmatively further fair housing, which means it will conduct an analysis of impediments to fair housing choice within the state, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting that analysis and actions in this regard.

Anti-displacement and Relocation Plan –It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24; and it has in effect and is following a residential antidisplacement and relocation assistance plan required under section 104(d) of the Housing and Community Development Act of 1974, as amended, in connection with any activity assisted with funding under the CDBG or HOME programs.

Drug Free Workplace –It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
2. Establishing an ongoing drug-free awareness program to inform employees about .
 - (a) The dangers of drug abuse in the workplace;
 - (b) The grantee's policy of maintaining a drug-free workplace;
 - (c) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;
4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will .
 - (a) Abide by the terms of the statement; and
 - (b) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;

5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;
6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted .
 - (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (b) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

Anti-Lobbying –To the best of the State’s knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form III, “Disclosure Form to Report Lobbying,” in accordance with its instructions; and
3. It will require that the language of paragraphs 1 and 2 of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

Authority of State –The submission of the consolidated plan is authorized under State law and the State possesses the legal authority to carry out the programs under the consolidated plan for which it is seeking funding, in accordance with applicable HUD regulations.

Consistency with plan – The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.

Signature, Authorized Official

Date

Director, Virginia Department of Housing and Community Development
Title

Specific CDBG Certifications

The State certifies that:

Citizen Participation -- It is in full compliance and following a detailed citizen participation plan that satisfies the requirements of 24 CFR §91.115 and each unit of general local government that receives assistance from the State is or will be following a detailed citizen participation plan that satisfies the requirements of 24 CFR §570.486.

Consultation with Local Governments -- It has or will comply with the following:

1. It has consulted with affected units of local government in the nonentitlement area of the State in determining the method of distribution of funding;
2. It engages in or will engage in planning for community development activities;
3. It provides or will provide technical assistance to units of local government in connection with community development programs; and
4. It will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that a State is not prevented from establishing priorities in distributing funding on the basis of the activities selected.

Local Needs Identification -- It will require each unit, of general local government to be funded to identify its community development and housing needs, including the needs of low-income and moderate-income families, and the activities to be undertaken to meet these needs.

Community Development Plan -- Its consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objectives of Title I of the Housing and Community Development Act of 1974 as amended. (See 24 CFR 570.2 and 24 CFR part 570)

Use of Funds -- It has complied with the following criteria:

1. Maximum Feasible Priority. With respect to activities expected to be assisted with CDBG funds, it certifies that it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available);
2. Overall Benefit. The aggregate use of CDBG funds including section 108 guaranteed loans during program year(s) 2002, 2003, and 2004 (a period specified by the grantee consisting of one, two, or three specific consecutive program years), shall principally benefit persons of low and moderate income in a manner that ensures that at least 70

percent of the amount is expended for activities that benefit such persons during the designated period;

3. Special Assessments. The state will require units of general local government that receive CDBG funds to certify to the following:

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds including Section 108 loan guaranteed funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108, unless CDBG funds are used to pay the proportion of fee or assessment attributable to the capital costs of public improvements financed from other revenue sources. In this case, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. Also, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

Excessive Force -- It will require units of general local government that receive CDBG funds to certify that they have adopted and are enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights' demonstrations within its jurisdiction;

Compliance With Anti-discrimination laws -- The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 USC 2000d), the Fair Housing Act (42 USC 3601-3619), and implementing regulations.

Compliance with Laws -- It will comply with applicable laws.

Signature, Authorized Official

Date

Director, Virginia Department of Housing and Community Development

Title

Specific HOME Certifications

The State certifies that:

Tenant Based Rental Assistance -- If it intends to provide tenant-based rental assistance:

The use of HOME funds for tenant-based rental assistance is an essential element of the State's consolidated plan.

Eligible Activities and Costs -- It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR §92.205 through §92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in §92.2 14.

Appropriate Financial Assistance -- Before committing any funds to a project, the State or its recipients will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing;

Signature, Authorized Official

Date

Director, Virginia Department of Housing and Community Development
Title

**STATE GRANTEE
EMERGENCY SHELTER GRANTS PROGRAM
FY2003 CERTIFICATIONS**

I William C. Shelton, Director of the Virginia Department of Housing and Community Development authorized to act on behalf of the State of Virginia, certify that the State will ensure compliance by units of general local government and nonprofit organizations to which it distributes funds under the Emergency Shelter Grants Program with:

- (1) The requirements of 24 *CFR* 576.21 (a)(4) which provide that the funding of homeless prevention activities for families that have received eviction notices or notices of termination of utility services meet the following standards: (A) that the inability of the family to make the required payments must be the result of a sudden reduction in income; (B) that the assistance must be necessary to avoid eviction of the family or termination of the services to the family; (C) that there must be a reasonable prospect that the family will be able to resume payments within a reasonable period of time; and (D) that the assistance must not supplant funding for preexisting homeless prevention activities from any other source.
- (2) The requirements of 24 *CFR* 576.25(b)(2) concerning the submission by nonprofit organizations applying for funding of a certification of approval of the proposed project(s) from the unit of local government in which the proposed project is located.
- (3) The requirements of 24 *CFR* 576.53 concerning the continued use of buildings for which Emergency Shelter Grant funds are used for rehabilitation or conversion of buildings for use as emergency shelters for the homeless; or when funds are used solely for operating costs or essential services, concerning the population to be served.
- (4) The building standards requirement of 24 *CFR* 576.55.
- (5) The requirements of 24 *CFR* 576.56, concerning assistance to the homeless.
- (6) The requirements of 24 *CFR* 576.57, other appropriate provisions of 24 *CFR* Part 576, and other applicable Federal law concerning nondiscrimination and equal opportunity.
- (7) The requirements of 24 *CFR* 576.59(b) concerning the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.
- (8) The requirements of 24 *CFR* 576.59 concerning minimizing the displacement of persons as a result of a project assisted with these funds.
- (9) The requirements of 24 *CFR* 576.56(a) and 576.65(b) that grantees develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the Emergency Shelter Grants Program and that the address or location of any family violence shelter project assisted with ESG funds will not be made public, except with written authorization of the person or persons responsible for the operation of the shelter.

- (10) The requirement of that recipients involve, to the maximum extent practicable, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under the ESG program, and in providing services for occupants of these facilities as provided by 24 *CFR* 576.56(b)(2).
- (11) The new requirement of the McKinney Act (42 *USC* 11362) to develop and implement, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of persons from publicly funded institutions or systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent such discharge from immediately resulting in homelessness for such persons. I further understand that State and local governments are primarily responsible for the care of these individuals, and that ESG funds are not to be used to assist such persons in place of State and local resources.

I certify that the State will comply with the requirements of 24 *CFR* Part 24 concerning the Drug Free Workplace Act of 1988.

I certify that the State will comply with the provisions of, and regulations and procedures applicable under 24 *CFR* 576.57(e) with respect to the environmental review responsibilities under the National Environmental Policy Act of 1969 and related authorities as specified in 24 *CFR* Part 58 as applicable to activities of nonprofit organizations funded directly by the State. The State also agrees to assume the Department's responsibility and authority as set forth in 24 *CFR* 576.57(e) for acting on the environmental certifications and requests for the release of funds submitted to the State by local government recipients.

I certify that the State will ensure the provision of the matching funds required by 24 *CFR* 576.51 and 42 *USC* 11375, including a description of the sources and amounts of such supplemental funds, as provided by the State, units of general local government or nonprofit organizations.

I further certify that the submission of a complete and approved Consolidated Plan with its relevant certifications, which is treated as the application for an Emergency Shelter Grant, is authorized under State law, and that the State possesses legal authority to fund the carrying out of grant activities by units of general local government and nonprofit organizations in accordance with applicable laws and regulations of the Department of Housing and Urban Development.

Name and Title

Signature

Date

Director, Virginia DHCD
Title

HOPWA Certifications

The State HOPWA grantee certifies that:

Activities -- Activities funded under the program will meet urgent needs that are not being met by available public and private sources.

Building -- Any building or structure assisted under the program shall be operated for the purpose specified in the plan:

1. *For at least 10 years in the case of any building or structure purchased, leased, rehabilitated, renovated, or converted with HOPWA assistance,*
2. For at least 3 years in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.

Signature, Authorized Official

Date

Director, Virginia Department of Housing and Community Development
Title

APPENDIX TO CERTIFICATIONS
INSTRUCTIONS CONCERNING LOBBYING AND DRUG-FREE WORKPLACE

REQUIREMENTS:

A. Lobbying Certification

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

B. Drug-Free Workplace Certification

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification.
2. The certification is a material representation of fact upon which reliance is placed when the agency awards the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, HUD, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.
3. For grantees other than individuals, Alternate I applies. (This is the information to which jurisdictions certify).
4. For grantees that are individuals, Alternate II applies. (Not applicable jurisdictions.)
5. Workplaces under grants, for grantees other than individuals, need not be identified on the certification. If known, they may be identified in the grant application. If the grantee does not identify the workplaces at the time of application, or upon award, if there is no application, the grantee must keep the identity of the workplace(s) on file in its office and make the information available for Federal inspection. Failure to identify all known workplaces constitutes a violation of the grantee's drug-free workplace requirements.
6. Workplace identifications must include the actual address of buildings (or parts of buildings) or other sites where work under the grant takes place. Categorical descriptions may be used (e.g., all vehicles of a mass transit authority or State highway department while in operation, State employees in each local unemployment office, performers in concert halls or radio stations).
7. If the workplace identified to the agency changes during the performance of the grant, the grantee shall inform the agency of the change(s), if it previously identified the workplaces in question (see paragraph five).

8. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance (Street address, city, county, state, zip code)

**Virginia Department of Housing and Community Development
The Jackson Center
501 North Second Street
Richmond, VA 23219—1321**

Check _____ if there are workplaces on file that are not identified here; The certification with regard to the drug-free workplace required by 24 CFR part 24, subpart F.

9. Definitions of terms in the Nonprocurement Suspension and Debarment common rule and Drug-Free Workplace common rule apply to this certification. Grantees' attention is called, in particular, to the following definitions from these rules:

"Controlled substance" means a controlled substance in Schedules I through V of the Controlled Substances Act (21 U.S.C.812) and as further defined by regulation (21 CFR 1308.11 through 1308. 15);

"Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes;

"Criminal drug statute" means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, use, or possession of any controlled substance;

"Employee" means the employee of a grantee directly engaged in the performance of work under a grant, including: (i) All "direct charge" employees; (ii) all "indirect charge" employees unless their impact or involvement is insignificant to the performance of the grant; and (iii) temporary personnel and consultants who are directly engaged in the performance of work under the grant and who are on the grantee's payroll. This definition does not include workers not on the payroll. This definition does not include workers not on the payroll of the grantee (e.g., volunteers, even if used to meet a matching requirement; consultants or independent contractors not on the grantee's payroll; or employees of subrecipients or subcontractors in covered workplaces).